

Trends & Indicators Dashboard

A project of the
Citizens' Finance Advisory Commission

City of Loveland
Updated by
Alan Krcmarik, Executive Fiscal Advisor
Draft for the **AUGUST 2011** CFAC Meeting

Indicators Definitions

	Status		Projections
	Green – This indicator is performing within the fiscal range needed to meet (or exceed) its COL Budget expectations. Projection should be monitored if it is a declining trend.		Expected trend will meet to exceed COL Budget requirements.
	Amber – This indicator is performing below the fiscal range needed to meet its COL Budget expectations, but is not critical. Projection is important.		Expected trend is at risk to fall below COL Budget requirements. Corrective actions may be needed to prevent further adverse impact.
	Red – This indicator is performing well below the fiscal range needed to meet its COL Budget expectations. Positive projection is desired, otherwise corrective actions are warranted.		Expected trend is to fall below COL Budget requirements. There is no indication of positive correction.
			Expected trend is to fall significantly below COL Budget requirements. Corrective action is beyond COL ability to effect.

Trends & Indicators Dashboard

Leading Indicators

	Status	Projection
US Unemployment	● (Red)	⬇ (Red)
US Personal Income	○ (Yellow)	↔ (Yellow)
Colorado Sales Tax	○ (Yellow)	↔ (Green)
Colorado Unemployment	● (Red)	⬇ (Red)
Loveland Foreclosures	○ (Yellow)	↔ (Yellow)
Loveland Sales Tax Licenses	● (Green)	↔ (Green)

Lagging Indicators

	Status	Projection
Loveland sales by GEO area	● (Green)	↔ (Green)
Use Tax - Building Materials	● (Red)	⬇ (Red)
Building Permits	● (Red)	⬇ (Red)
Property Tax projections	○ (Yellow)	↔ (Yellow)
Local Employment Outlook	○ (Yellow)	↔ (Green)

- Loveland job growth continues to grow.. U.S. and Colorado employment situation slipping.
- Colorado sales tax rebounded from prior year; now up for the year and for the state's fiscal year.
- Colorado General Assembly passed an austere budget . Counties and School district budgets tight.
- Loveland retail sales are stabilizing; solid growth through June. GEO sales tax still green. Six months of no negative GEO areas. Use tax on building permits started slow, but improving.
- Foreclosure rate down in Loveland; inventory still affecting sales prices . Tougher mortgage requirements limiting new building. The ACE project is moving forward and should help a great deal.

Summary: Loveland's 2011 on the right track; downgrade increases risk in the future

On one handthe positives

- Employment in Loveland showing improvement
- Personal income and spending rising slowly; real income down
- Foreclosures in Colorado and Loveland decreasing
- Loveland apartment complexes coming on line
- Loveland sales tax collections ahead of last year and budget
- City revenues **ahead of expenditures and budget estimates**

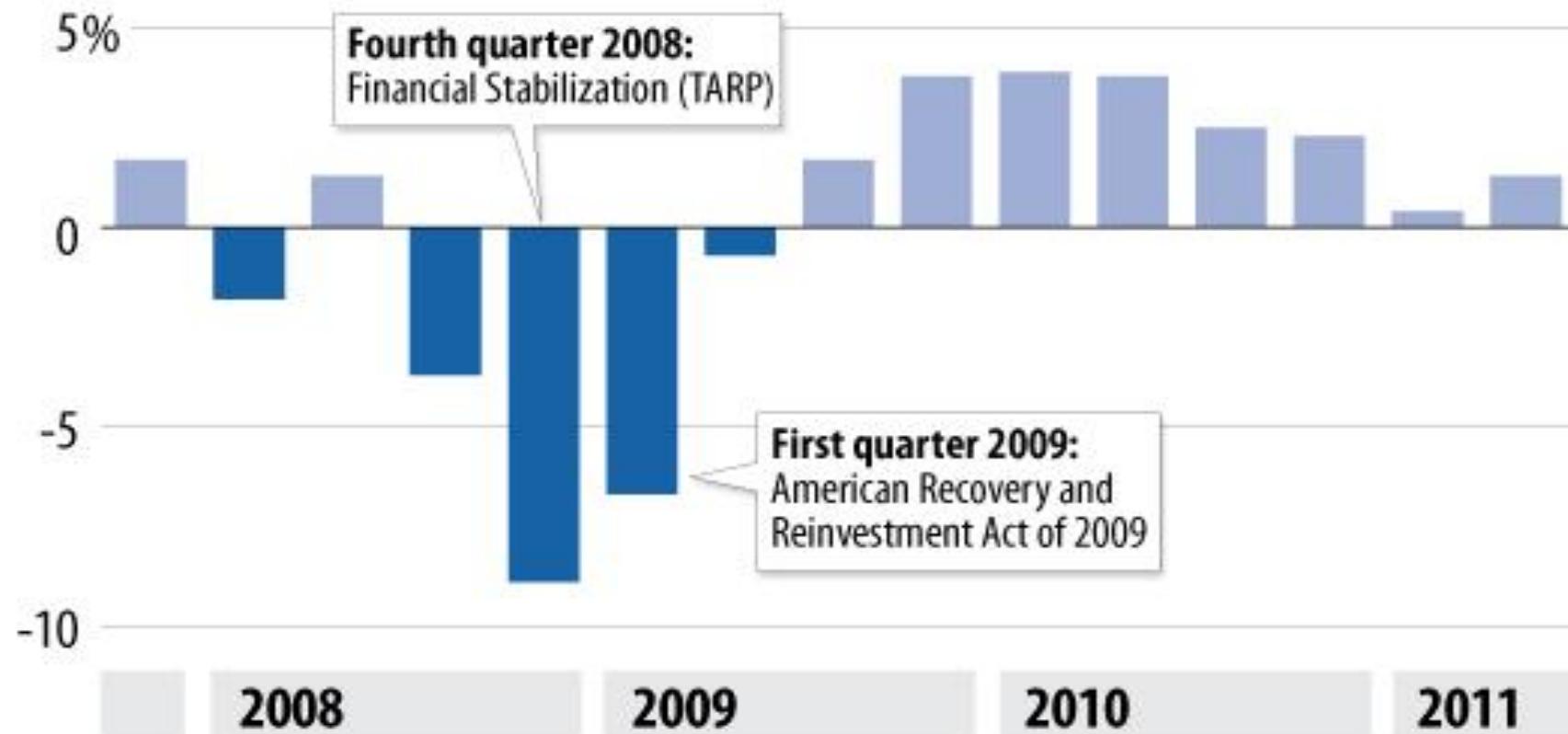
On the other . .several risks to the outlook

- National and state employment still show a jobs recession in place
- Rising gasoline prices have taken away from broader recovery
- Legal uncertainties may be masking a very weak housing situation
- True recovery in the housing sector probably years away
- Building permits and use tax below projections, but June activity up
- **The fiscal sustainability plan will face continued economic pressure**

Real (inflation-adjusted) gross domestic product (GDP) was contracting sharply when policymakers enacted the financial stabilization bill (TARP) and the American Recovery and Reinvestment Act. The economy has been growing for eight straight quarters, but the pace of recovery has slowed markedly in 2011.

Change in real GDP

percent change at annual rate (seasonally adjusted)



Inside the Stalled Economic Engine

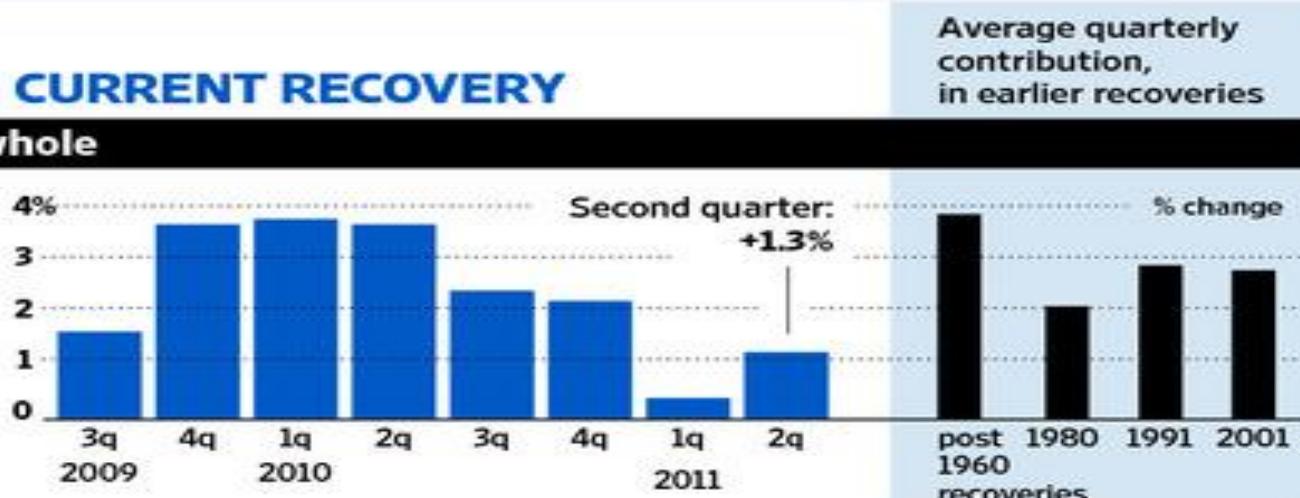
To understand the economic recovery that began in the third quarter of 2009, it helps to look at how some components of gross domestic product have added to or subtracted from quarterly growth. For context, the average quarterly contribution to growth in recoveries that took place after 1960 and the average quarterly contribution during more recent recoveries have been included.

CURRENT RECOVERY

The economy as a whole

GDP, inflation-adjusted

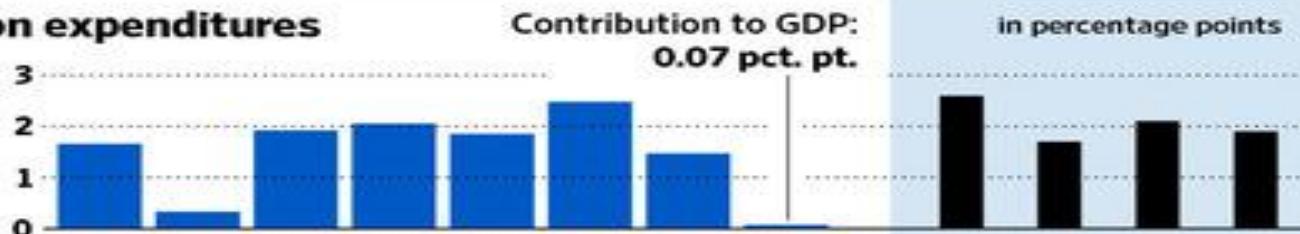
U.S. economic output is still growing, but more slowly. First-quarter 2011 growth has been revised down to 0.4% from 1.9%



How some parts of the economy have added to or subtracted from growth

Personal-consumption expenditures

Consumers bought more in 2010, giving GDP a boost. But in their contribution in most recent quarter was negligible.



Residential fixed investment: Home construction and improvement

The housing sector was a drag on the early recovery and remains in the doldrums.



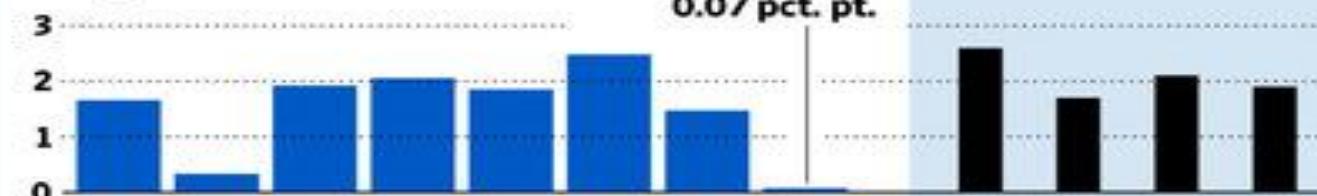
How some parts of the economy have added to or subtracted from growth

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Contribution to GDP:
0.07 pct. pt.

in percentage points



Residential fixed investment: Home construction and improvement

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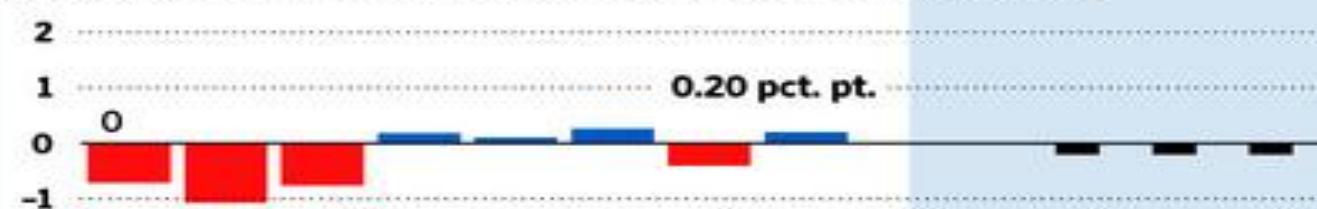
0.08 pct. pt.



Fixed investment: Construction, drilling and exploration by private business

Businesses' additions of buildings and factories have added little to GDP growth in this recovery and in previous ones.

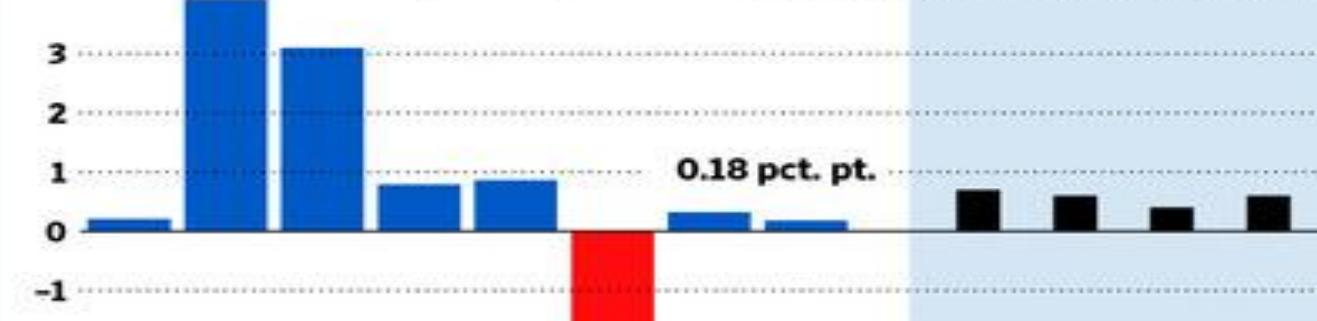
0.20 pct. pt.



Change in private-business inventories (when produced)

At the end of 2010, businesses were anticipating slower demand and allowing inventories to fall. This year, restocking has contributed some to growth.

0.18 pct. pt.



Fixed investment: Equipment and software purchases by private business

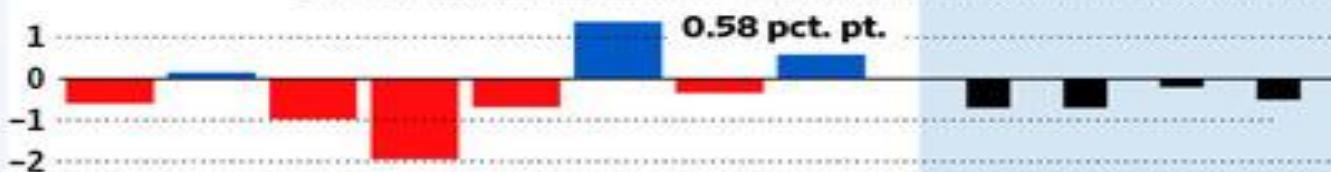
Fixed investment: Equipment and software purchases by private business

Businesses are investing in new equipment and software, even as they are slow to add jobs.



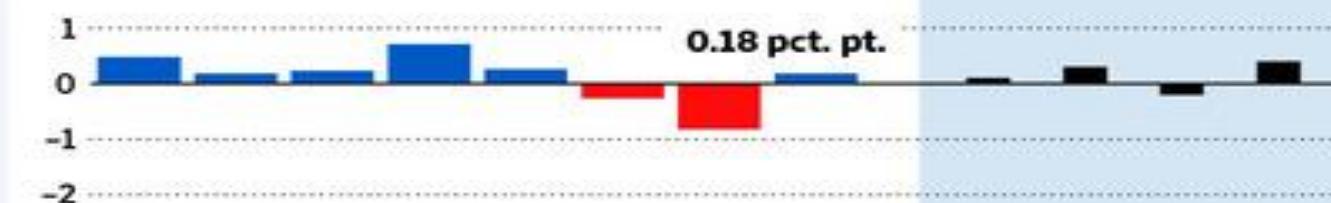
Net exports of goods and services

With U.S. exports growing a bit more quickly than imports, trade gave a slight boost to the economy in the first half. A weaker dollar could help exports expand.



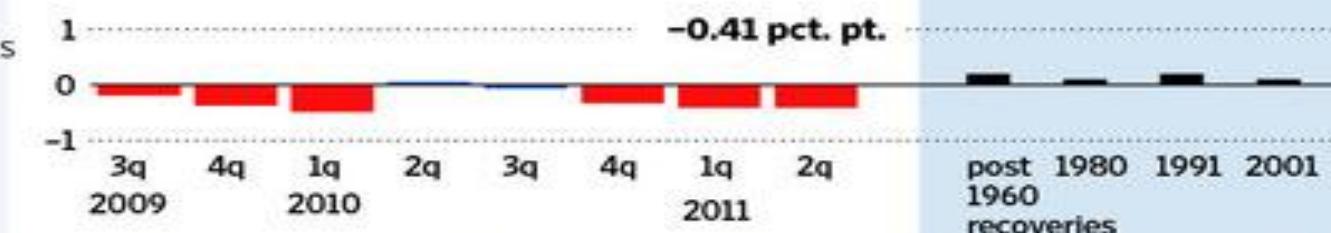
Federal government spending and investment

Government spending, in part through stimulus plans, was a big contributor at the recovery's outset and in early 2010. Defense spending was a factor in second-quarter spending.



State and local government spending and investment

Budget woes and dwindling federal stimulus funds are straining state and local governments, forcing cutbacks and crimping spending.



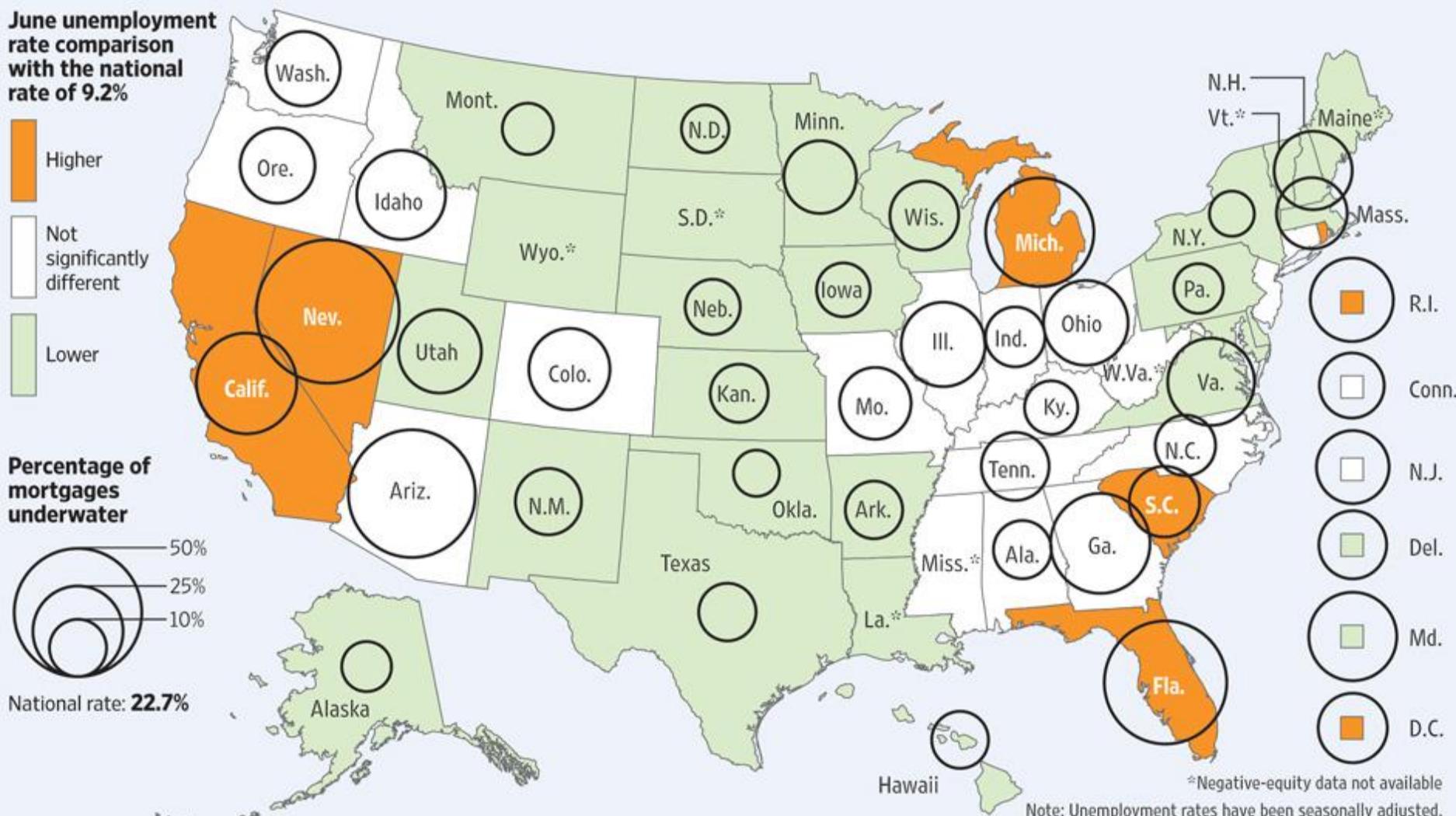
Note: Data are adjusted for inflation and the seasons; contributions are quarterly, measured at annualized rates.

Source: Commerce Department

Pat Minczeski/ The Wall Street Journal

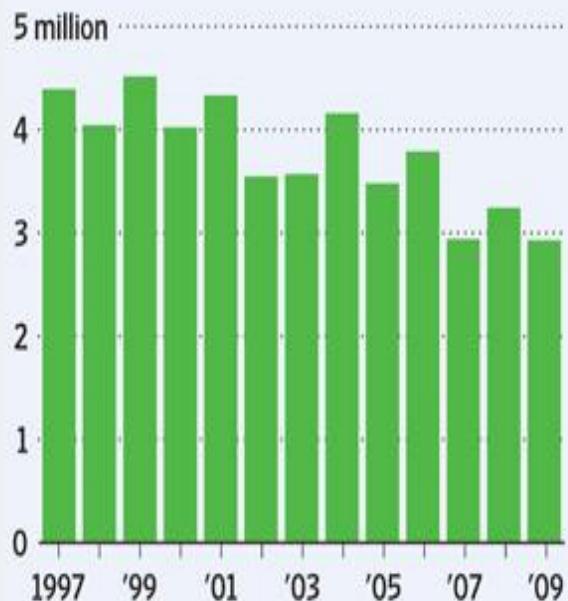
From *“Economy Losing Its Cushion,” Wall Street Journal*,
Jon Hilsenrath and Sara Murray, July 30-31, 2011

A Nation in Pain | The U.S. economy has lost many shock absorbers that made it so resilient in the past

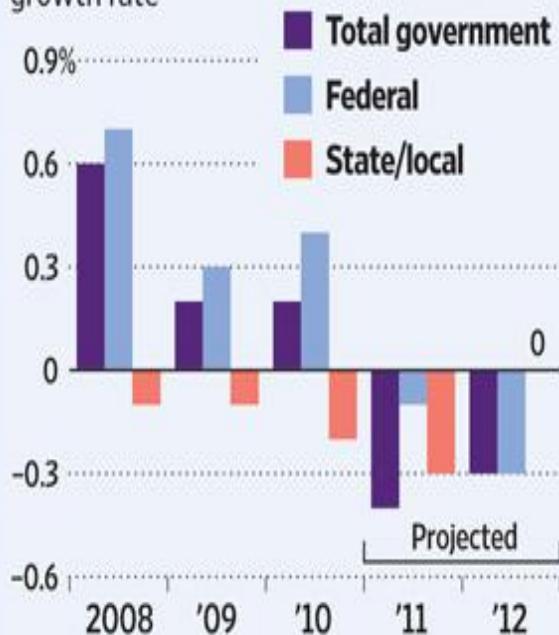


Employment Transfers, Government Spending and Optimism used to Buffer the Economy

Number of households that move for a new job or transfer



Total government contribution to economic growth rate



Percentage of households expecting to be better off financially in the next year



Sources: Labor Dept. (unemployment); CoreLogic (mortgages); Census Bureau (moves); Macroeconomic Advisers (government contribution to growth); University of Michigan (consumer confidence)

- Martin Feldstein, the Harvard Prof who runs the NBER, the business cycle dating committee which is the official arbiter of US recessions, said yesterday (August 2, 2011) on Bloomberg TV that he puts the odds the US is entering a recession at 50-50.
- He says 5 of the 9 members of the committee fear recession may be upon us.
- He specifically cited the lack of growth in real consumer spending in the past four months, which is an ominous sign indeed.
- The NBER does not care about the rule of thumb two-negative-quarters of GDP rule.
- They look at real income, industrial production, sales and employment.

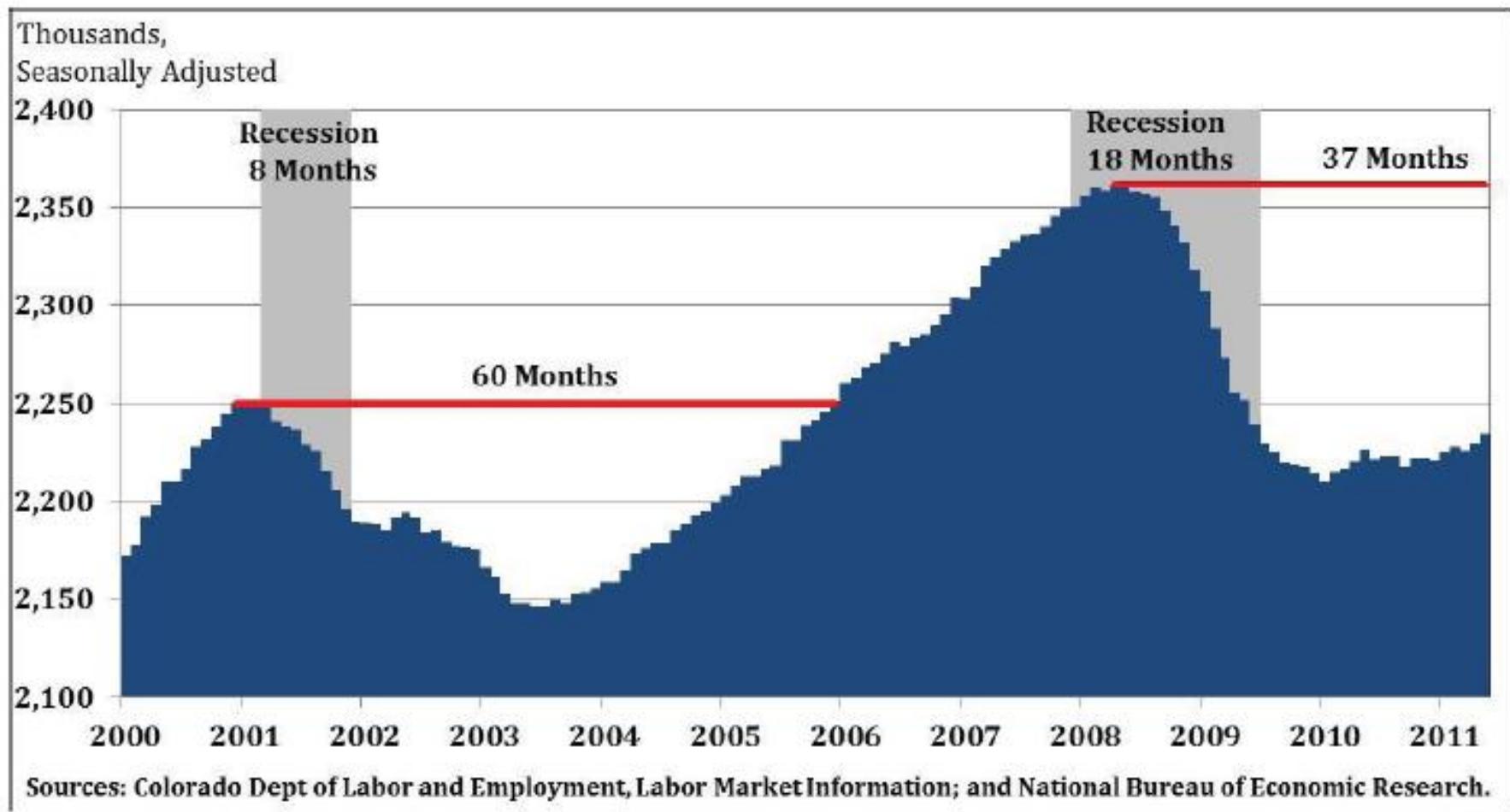
Recession Impacts Colorado

- The 18-month recession from December 2007 to June 2009 had, and continues to have, profound impacts on Colorado's economy; the effect can be seen in employment, labor force, unemployment, retail sales, and other metrics.
- From the start of the 2001 recession, it took Colorado 60 months – until 2005 – to recover the jobs it had lost in the downturn.
- In April 2008, Colorado employment totaled 2.36 million and then proceeded to fall by 150,000 before reaching the trough in August 2010. Figure 11 shows the adjusted statewide employment figures, showing the long road back to full employment.

Source: Colorado University Business School, July 2011

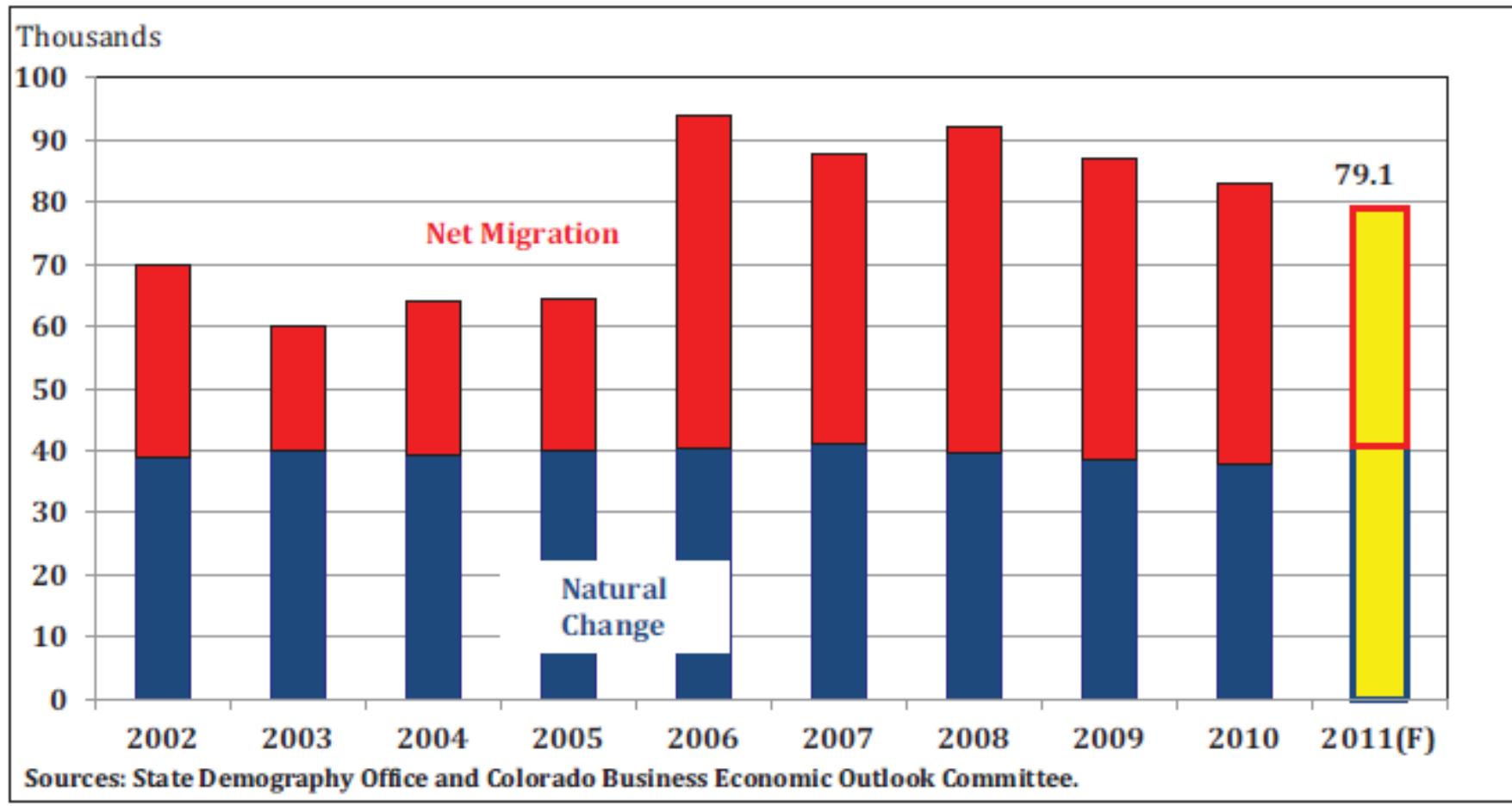
It took 5 years to return to the 2001 peak employment numbers. How long will it take to reach the 2008 peak?

FIGURE 11: COLORADO NON-AGRICULTURAL WAGE AND EMPLOYMENT, 2000-2010



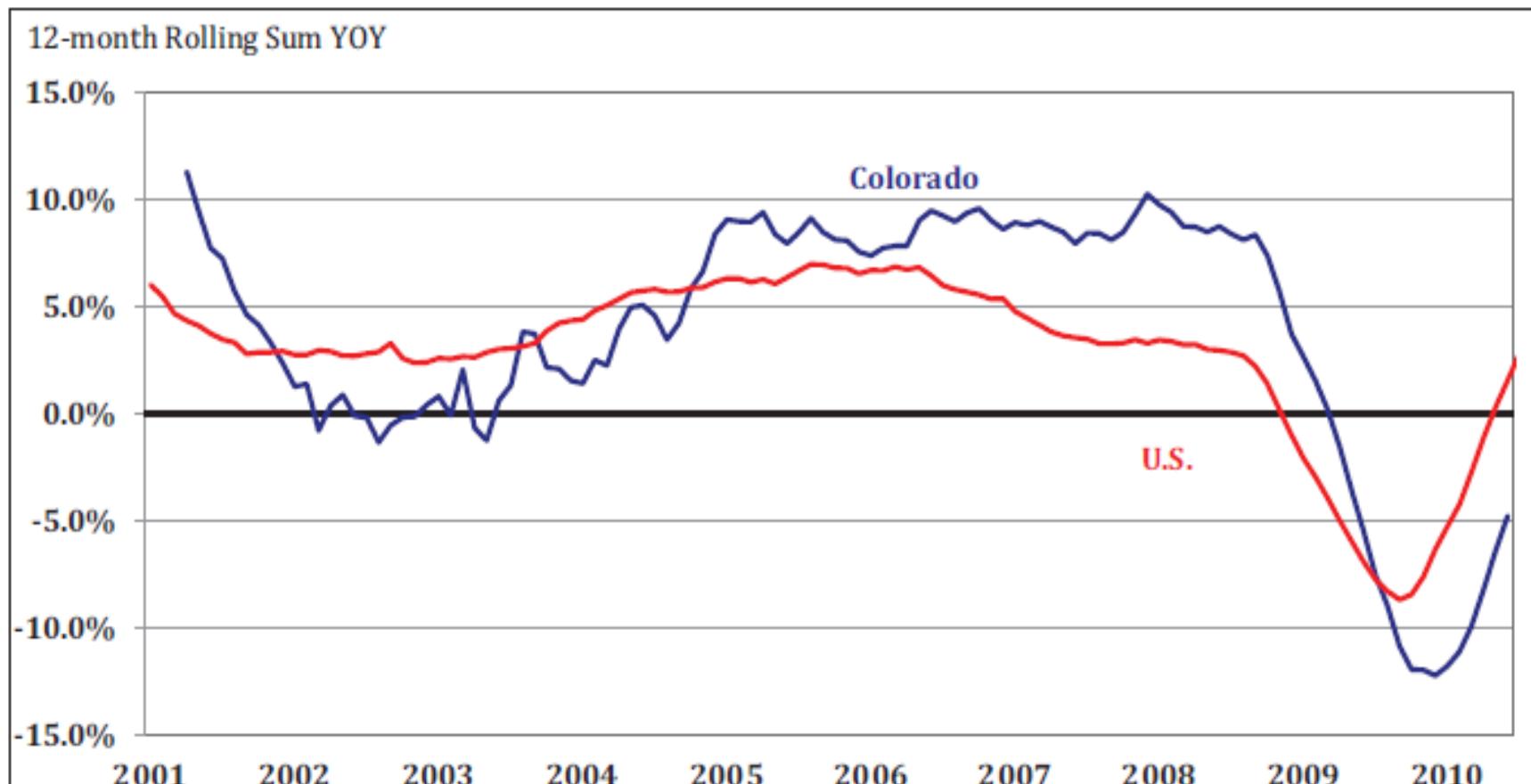
The recession and resulting job losses had little impact on Colorado's population growth, both in terms of natural increase (births-deaths) and net migration (moving in-moving out). From 2006 through 2010 the state population grew by more than 443,000. Source: Colorado University Business School, July 2011.

FIGURE 12: COLORADO POPULATION, COMPONENTS OF CHANGE, 2002-2011



Consumers reacted quickly to the recession by pulling back on retail trade which impacted both industry and government (state and local). After peaking in 2007, sales fell by 0.9% in '08 and by 12.3% in '09. The rolling average continued to be negative through June '10. Since then the trajectory has changed as consumers have begun to spend. Source: Colorado Business School, July 2011.

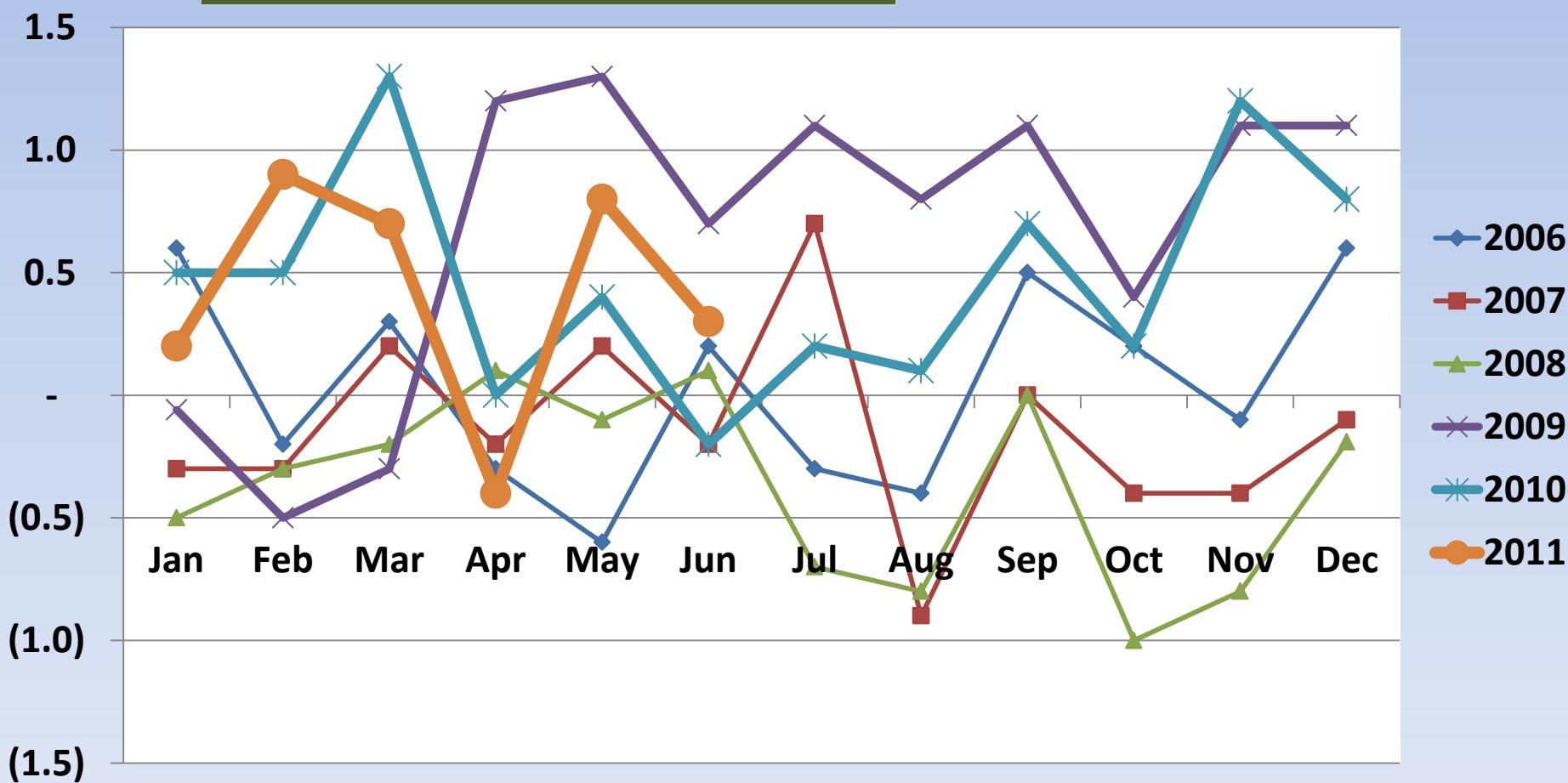
FIGURE 13: COLORADO RETAIL TRADE SALES, 2002-2009



Source: U.S. Census Bureau and Colorado Department of Revenue, Colorado Retail Sales and Sales Tax Summaries.

The U.S. Leading Economic Indicators bounced back from a negative reading in April. Weak job creation and a dismal construction industry will bring negative pressure to the LEI.

Leading Economic Indicators Index



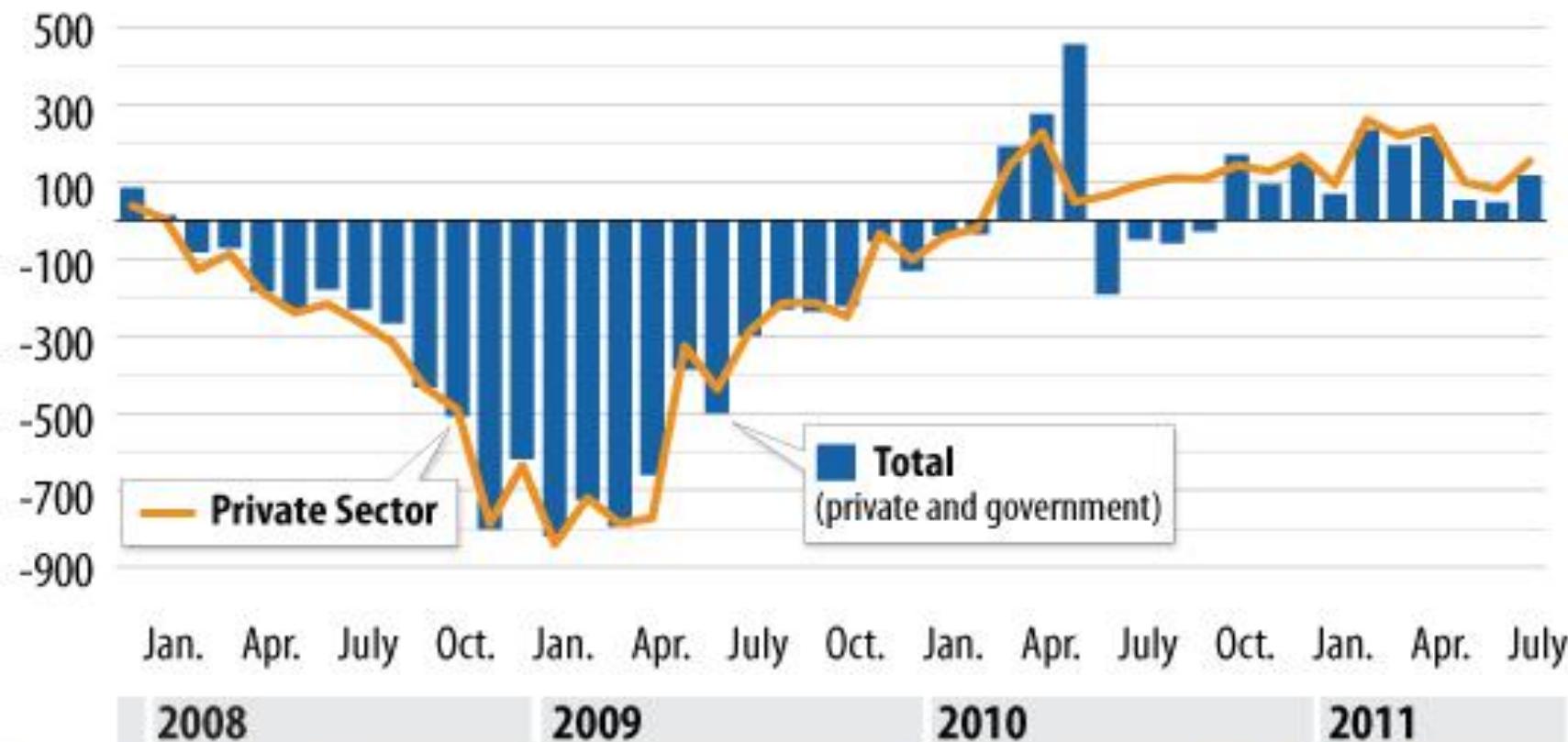
Jobs Report Just Enough to calm the markets?

- August 5, 9:05am
- This morning's release of the Employment Situation report by the Bureau of Labor Statistics showed the addition of 117,000 jobs in July, a rate of job growth that keeps us firmly in low gear and on track for persistent high unemployment. Notably, the decline in the unemployment rate in July was entirely due to a drop in the labor force, not an increase in the share of workers with jobs. ---Heidi Shierholz, Economic Policy Institute Economist



117,000 Net Jobs reported for July

Monthly change in nonfarm employment in thousands (seasonally adjusted)



Source: Bureau of Labor Statistics

Center on Budget and Policy Priorities | cbpp.org

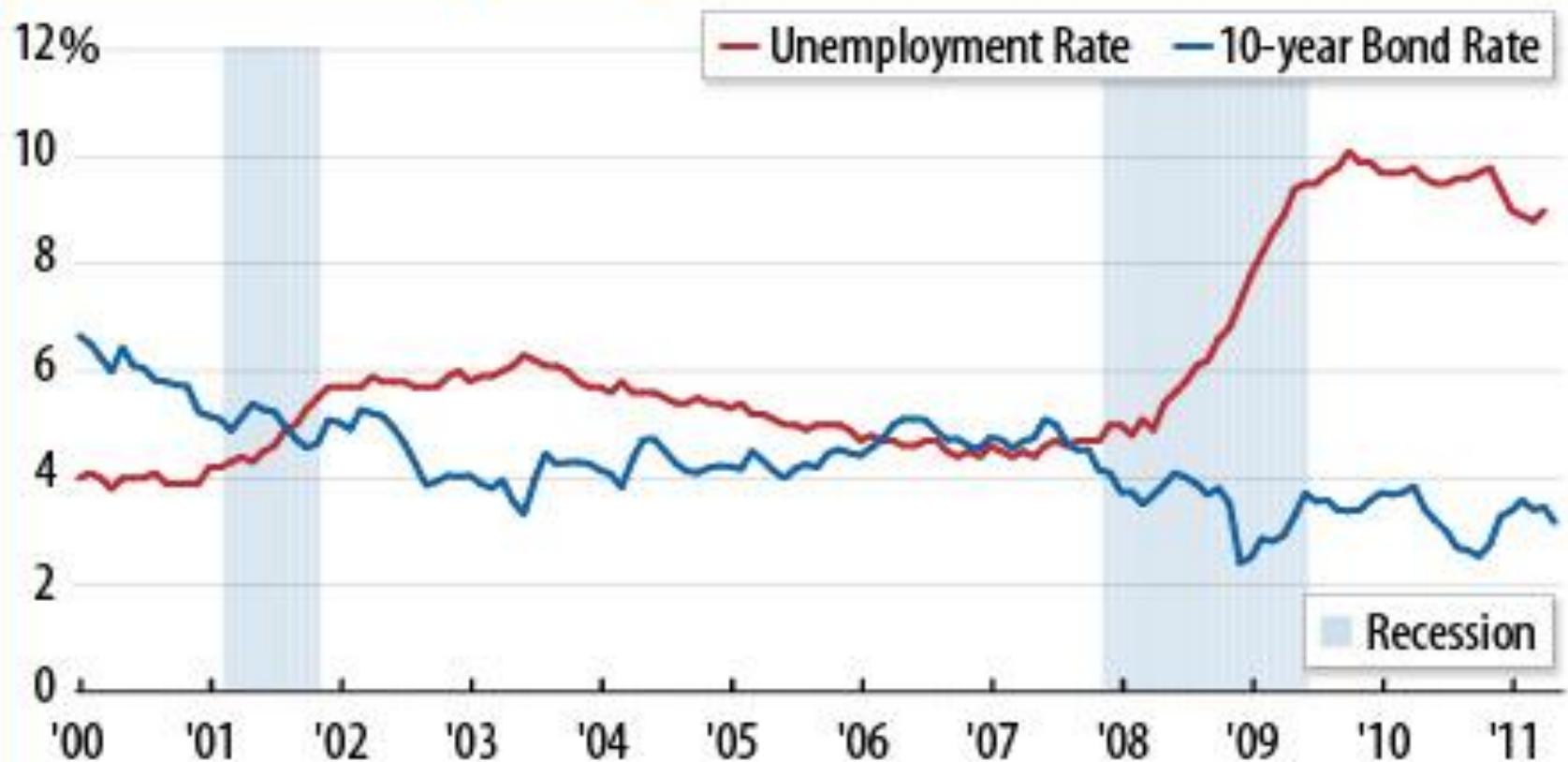
August 5, 2011, Employment Situation

Labor Market Limping Along

- Private sector added 154,000; Public sector fell by 23,000
- It was the 17th month of growth on private sector. Over the last three months the average is just 72,000.
- Need to have about 200,000 jobs per month to have a real recovery.
- The recession and lack of job opportunities drove many people out of the labor force. The labor force participation rate dropped to 63.9% in July, the lowest level since May of 1983. Over 193,000 workers dropped out of the labor force
- Public sector continued to lose jobs
- The last two month's (June & May) data was revised slightly upward.
- Long-term unemployment is a major concern; 6.2 million people have been looking for work for more than 27 weeks.

Source: Center on Budget and Policy Priorities, non-partisan research institute.

High Unemployment and Low Interest Rates Suggest Financial Markets More Concerned with Recovery Prospects than Debt or Inflation

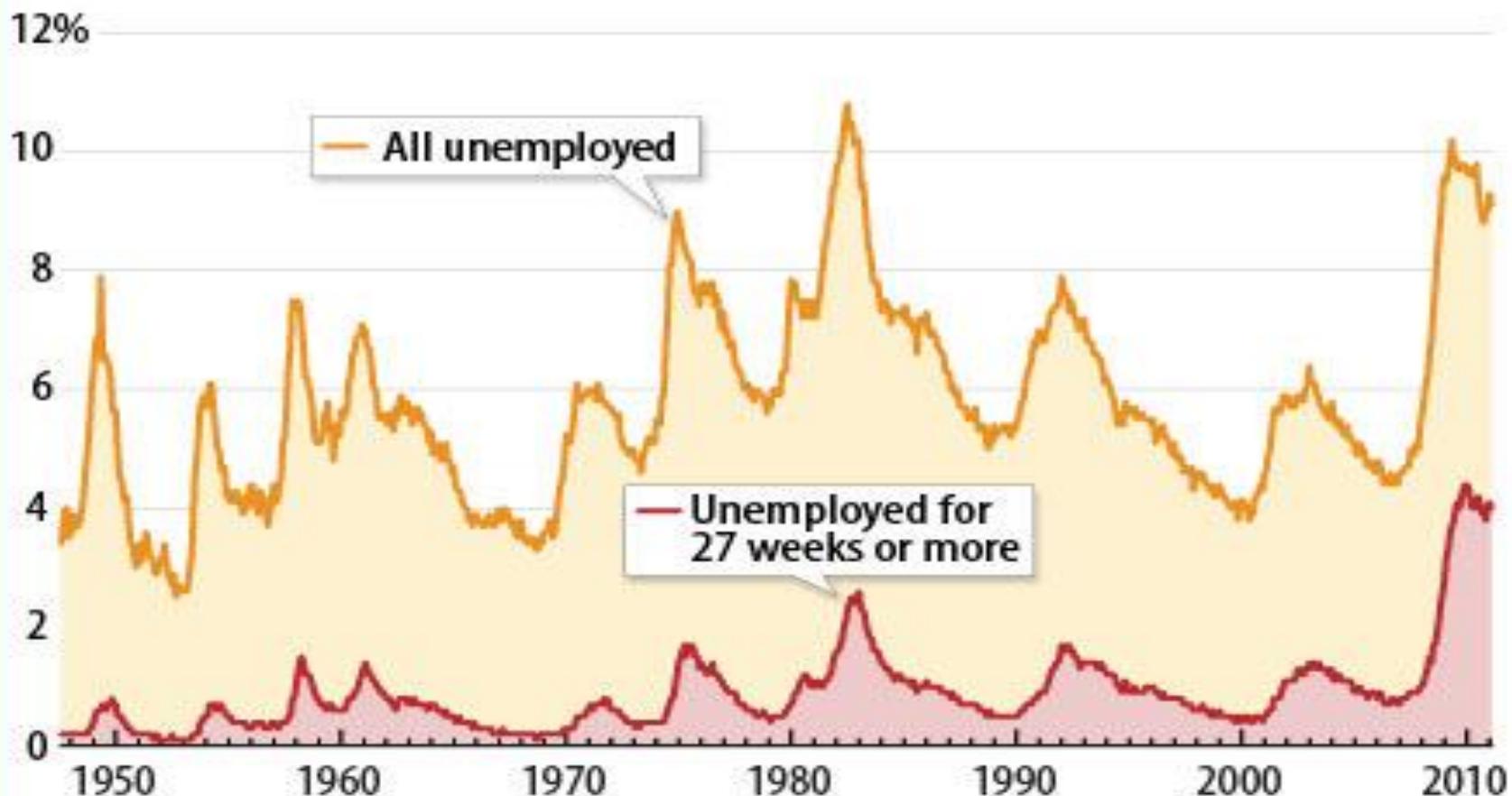


Sources: Bureau of Labor Statistics, Federal Reserve and National Bureau of Economic Research

Center on Budget and Policy Priorities | cbpp.org

Long-Term Unemployment Rate Is Unprecedented

Number of unemployed as percent of total labor force

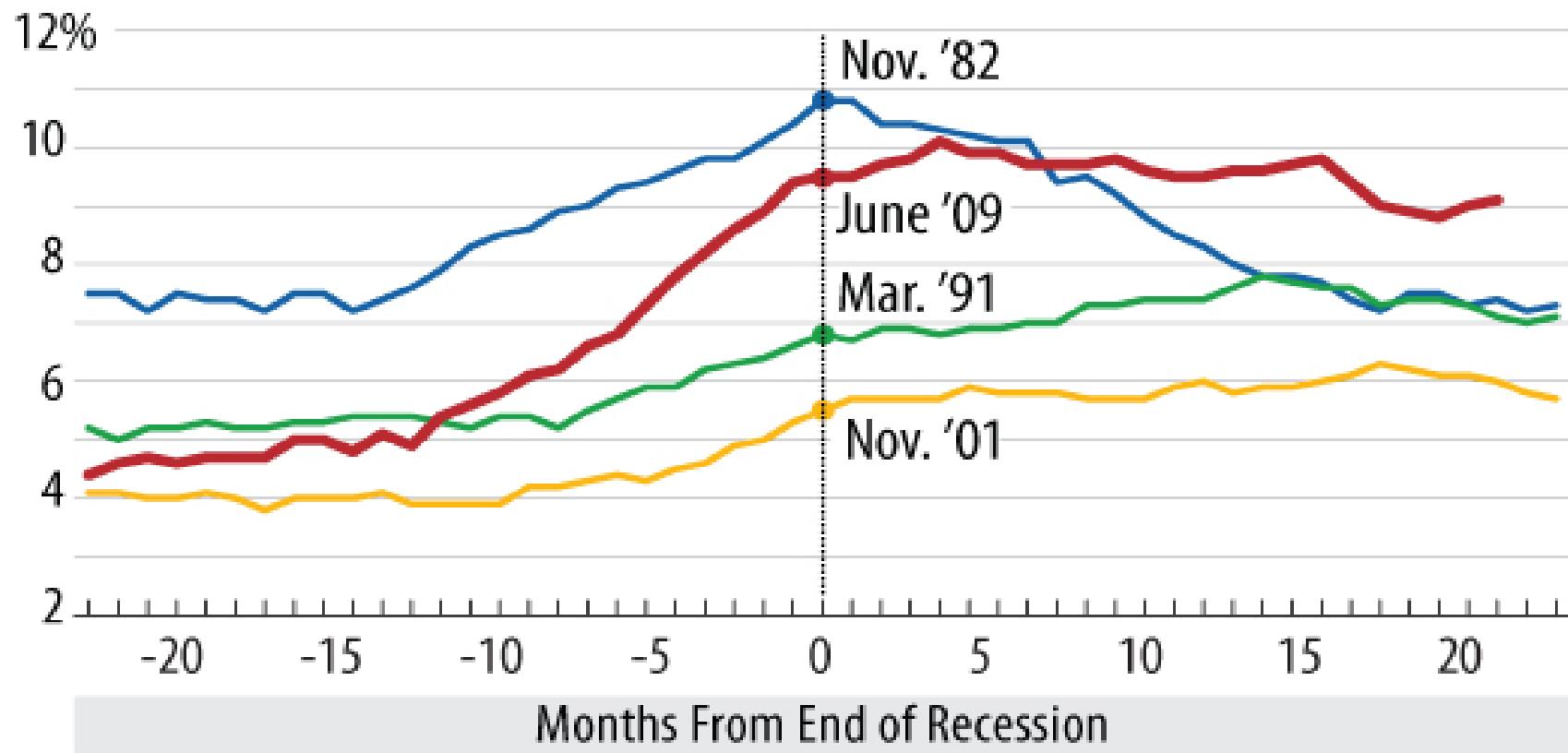


Source: Bureau of Labor Statistics

Center on Budget and Policy Priorities | cbpp.org

... And Could Stay High for Some Time

Unemployment Rates During Recessions and Recoveries



Source: CBPP calculations from Bureau of Labor Statistics data. Center on Budget and Policy Priorities | cbpp.org

Case Shiller Index for May shows housing markets still struggling



Denver Home Prices National Composite

Monthly Change:	+1.4 percent	+1.0 percent
Yearly Change:	-3.3 percent	- 4.5 percent

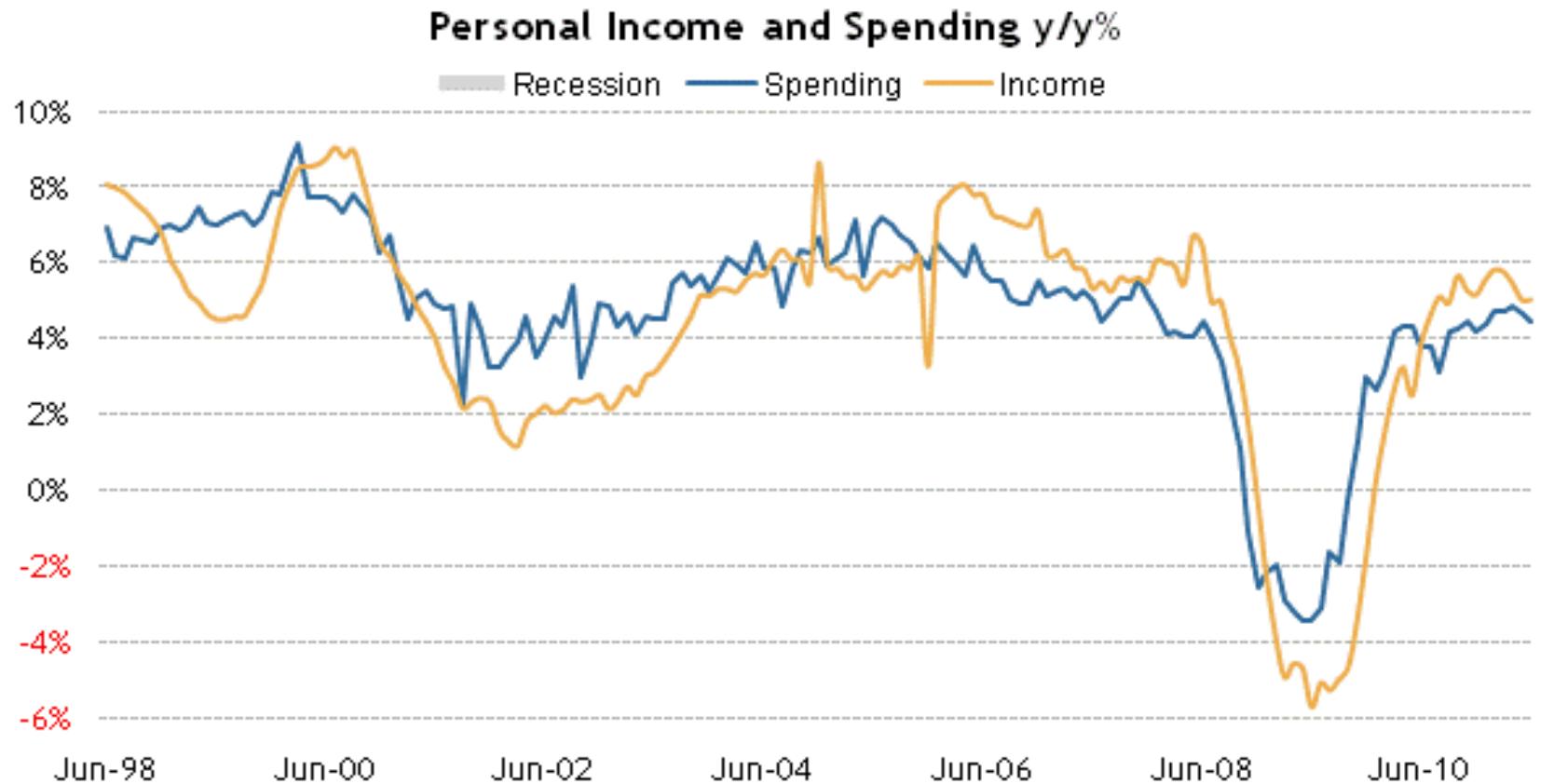
S&P/Case-Shiller Index for May 2011

Data release July 26, 2011

- A double dip in the housing market is becoming a reality as home prices nationwide fell 3.6 percent from May of 2010, according to the S&P/Case-Shiller Home Prices Index. Most MSAs and both Composites fared poorly in annual terms.
- Nineteen of the 20 MSAs and the two Composites posted negative annual growth rates in May 2011.
- The 10-City Composite was down 3.6% and the 20-City Composite was down 4.5% in May 2011 versus May 2010.
- Denver reported +1.4% price growth from April, but was down 3.3% from last May.
- Minneapolis posted a double-digit decline in annual rate of 11.7%. The only beacon of hope was Washington D.C. with a +1.3% annual growth rate and a +2.4% monthly increase.
- We have now seen two consecutive months of generally improving prices; however, we might have a long way to go before we see a real recovery.
- Sustained increases in home prices over several months and better annual results need to be seen before we can confirm real estate market recovery.”

Personal income increased 0.1% in June, close to expectations, but a slower pace of growth than the 0.2% increase in May.

Personal spending fell 0.2%, below the consensus forecast of 0.1% growth, and weaker than the 0.1% increase in May.



Source: Census Bureau; updated 08/02/11

Personal Income and Spending

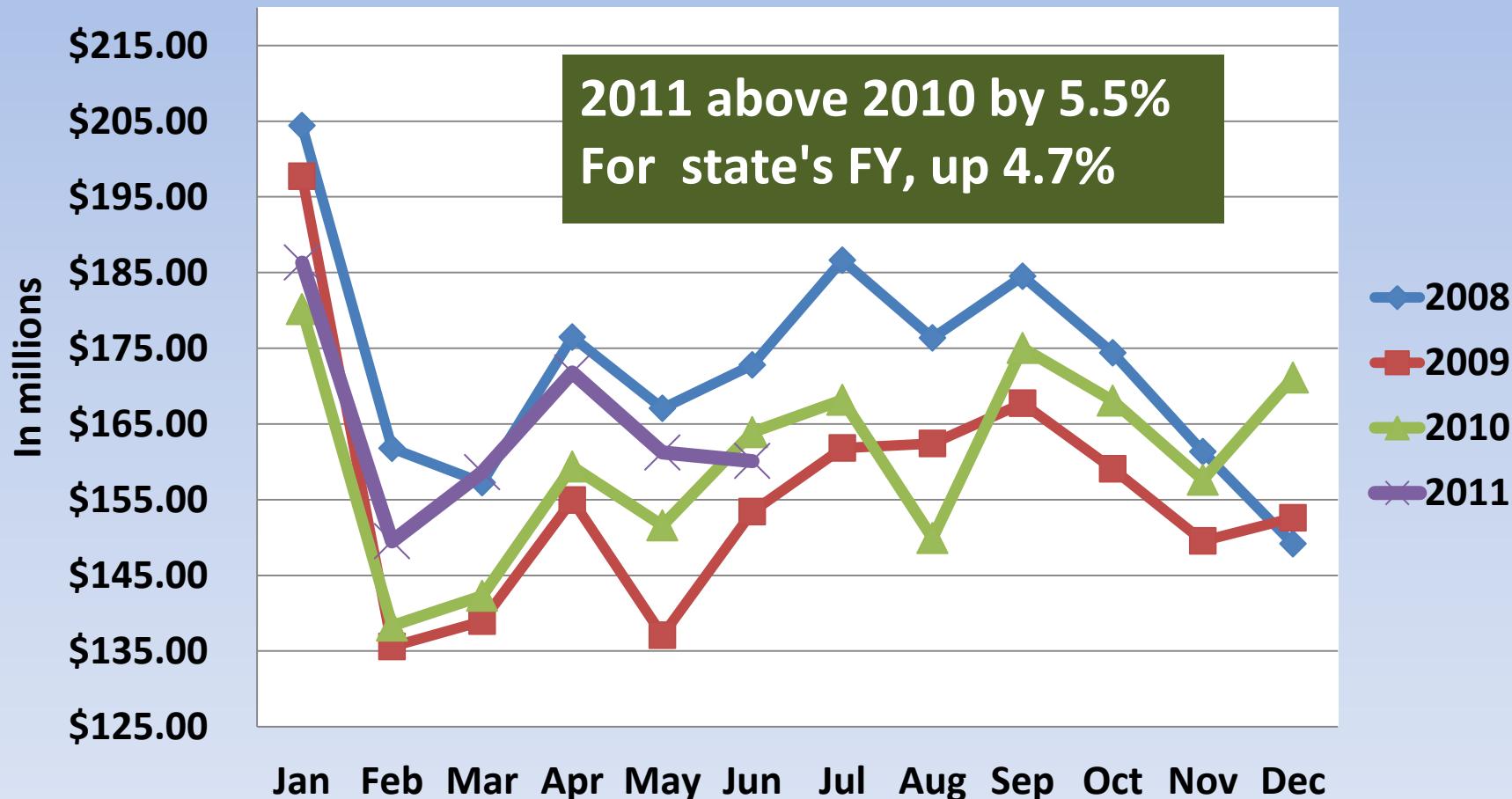
Key Factors

- It seems that history is beginning to repeat itself. The lack of confidence in the economic recovery last summer resulted in three months of deteriorating consumer conditions that were highlighted by a spike in savings. That same evidence is creeping up in the June 2011 data.
- The savings rate spiked from 5.0% in May to 5.4% in June. Last year, the savings rate spiked from 4.8% in March to 5.4% in April and continued to go up until June 2010. As feelings of job security weaken amid elevated initial claims levels and weak payroll growth, it would not be a shock to see the savings rate continue to rise until the economic recovery gains better footing. This could lead to weaker consumption growth rates over the next few months.

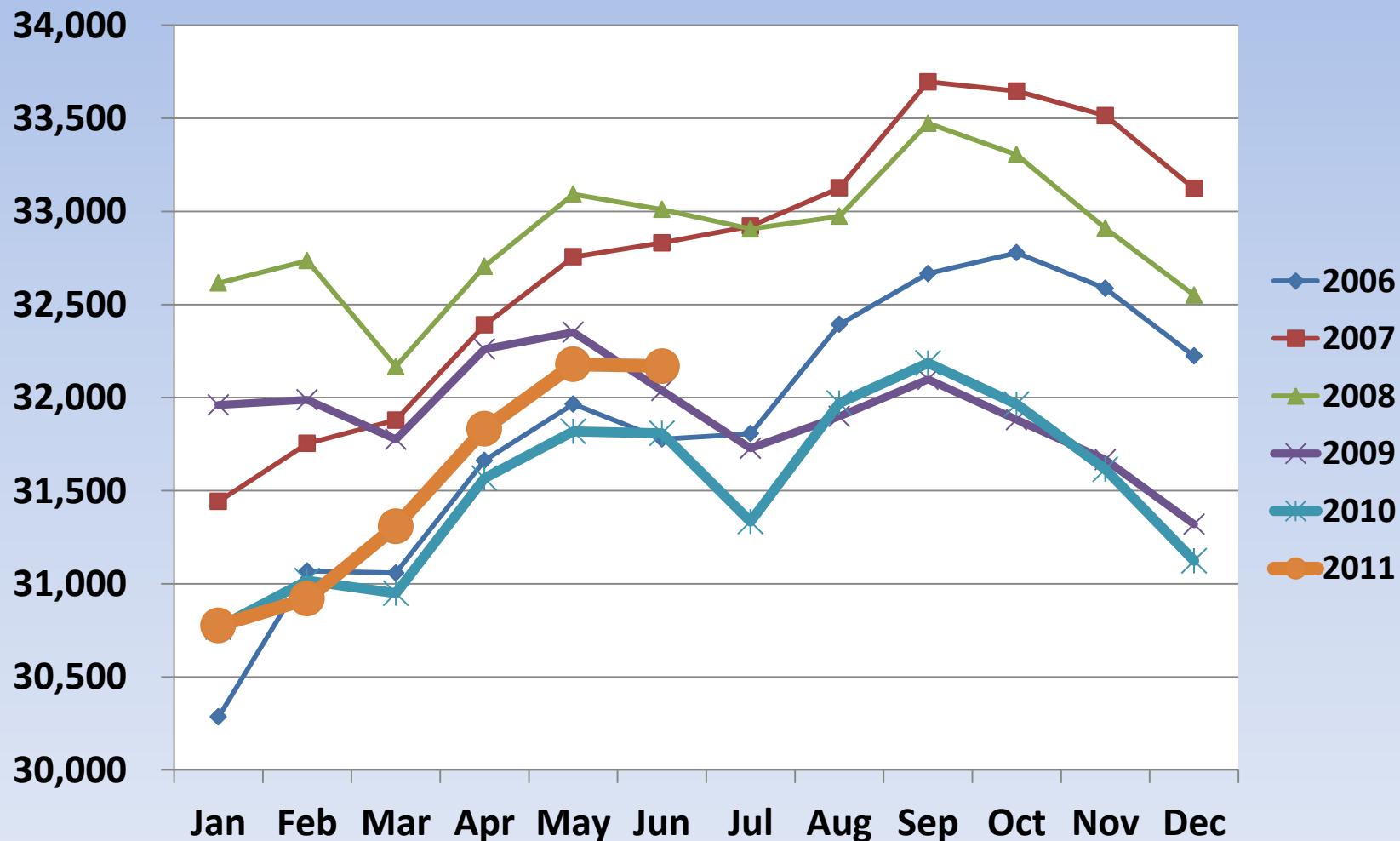
Big Picture

- Weak payroll growth was instrumental in the recent slowdown in consumer spending. If the employment sector does not strengthen in the near future, consumption spending will continue to suffer.

*State Collections exceed FY 2009-2010 collections
2011 Calendar year collections even better*



*Another month of Job Growth, Loveland
added jobs from May to June and from June of 2010*



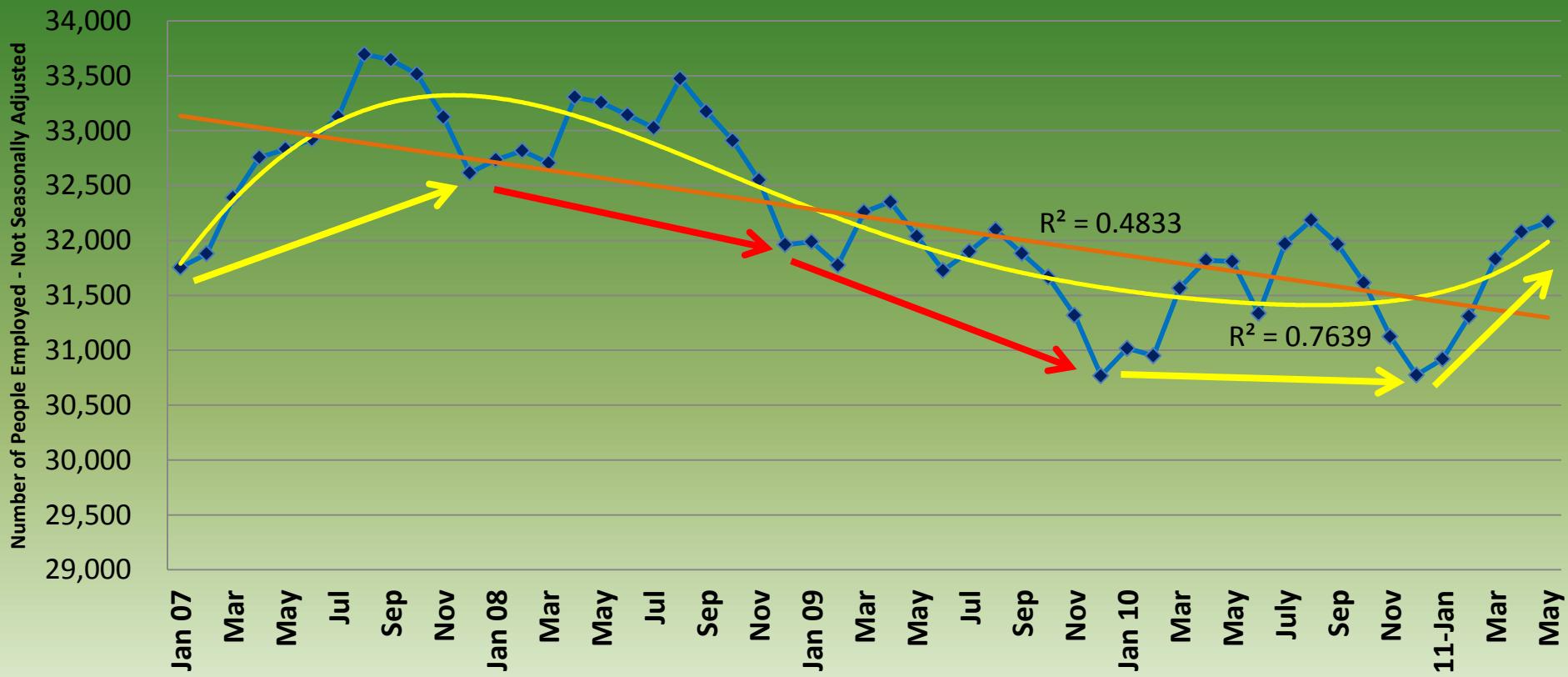
Loveland's 4½ year Employment Trend Downward

Since 2008, Strong Job Loss trend is in place but may be turning

Loveland Employment - Residential Series

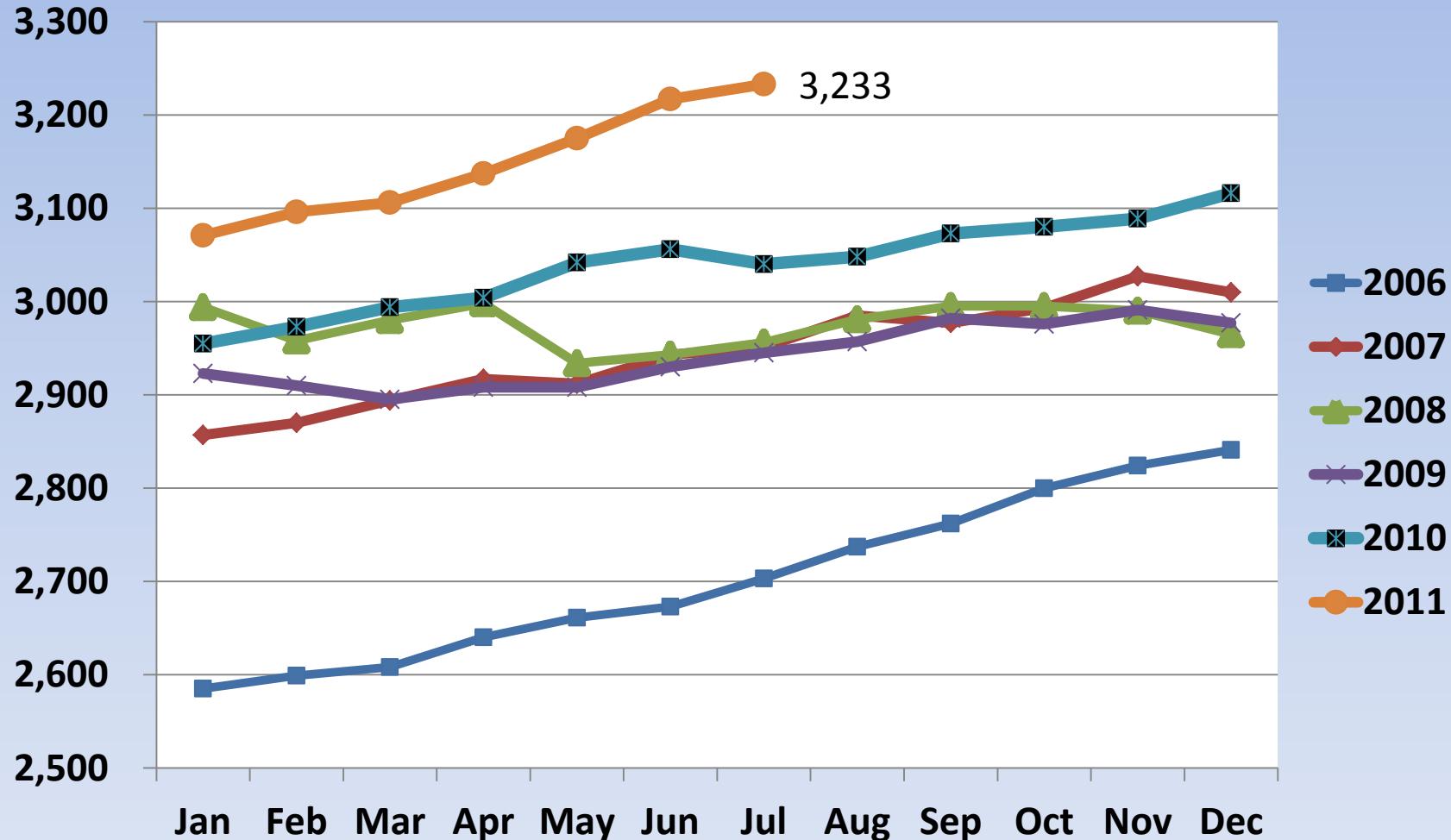
January 2007 to June 2011

◆ Employment — Poly. (Employment) — Linear (Employment)



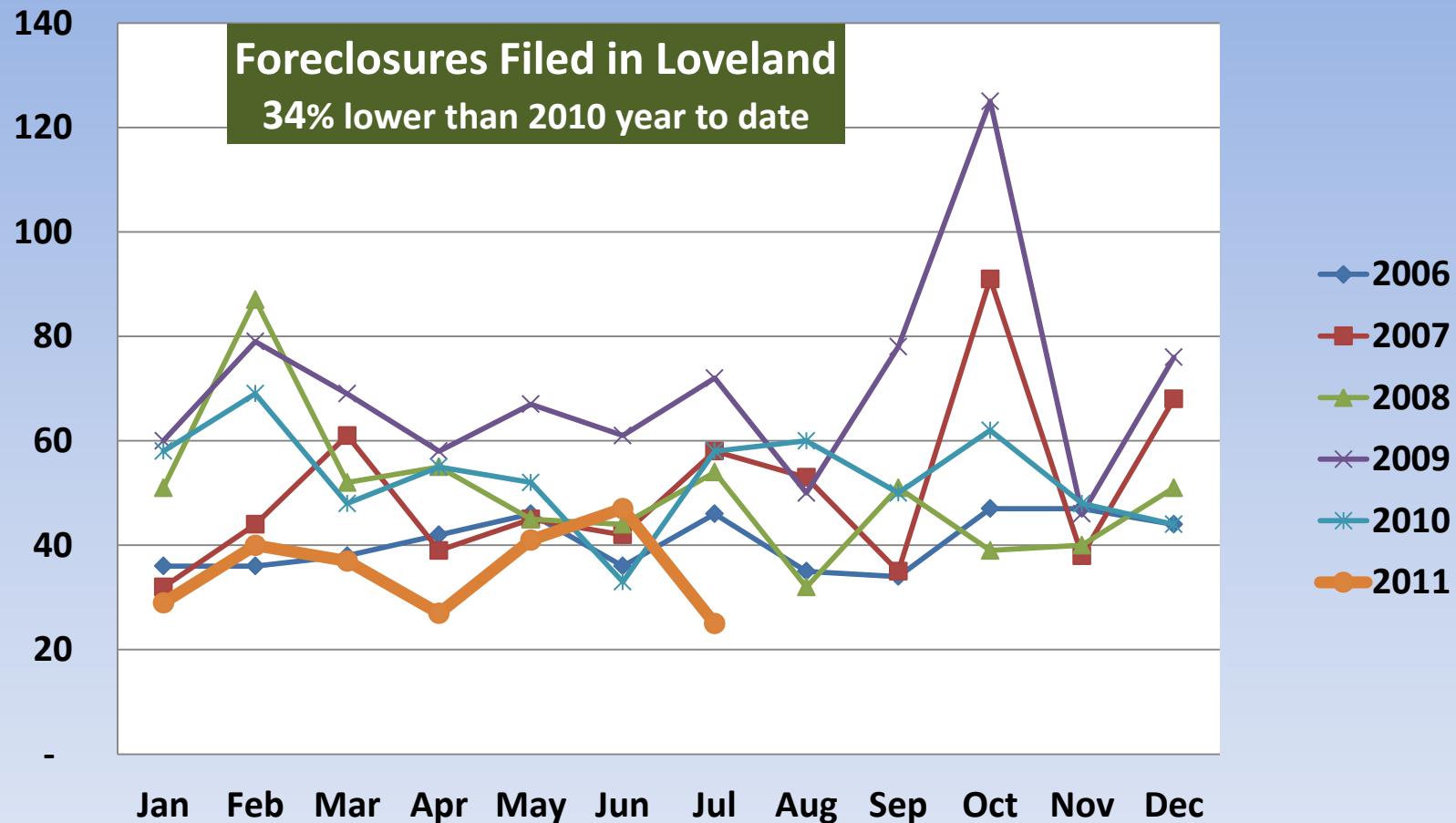
Sales Tax licenses holding up

Several closings at year end – now well ahead of 2010



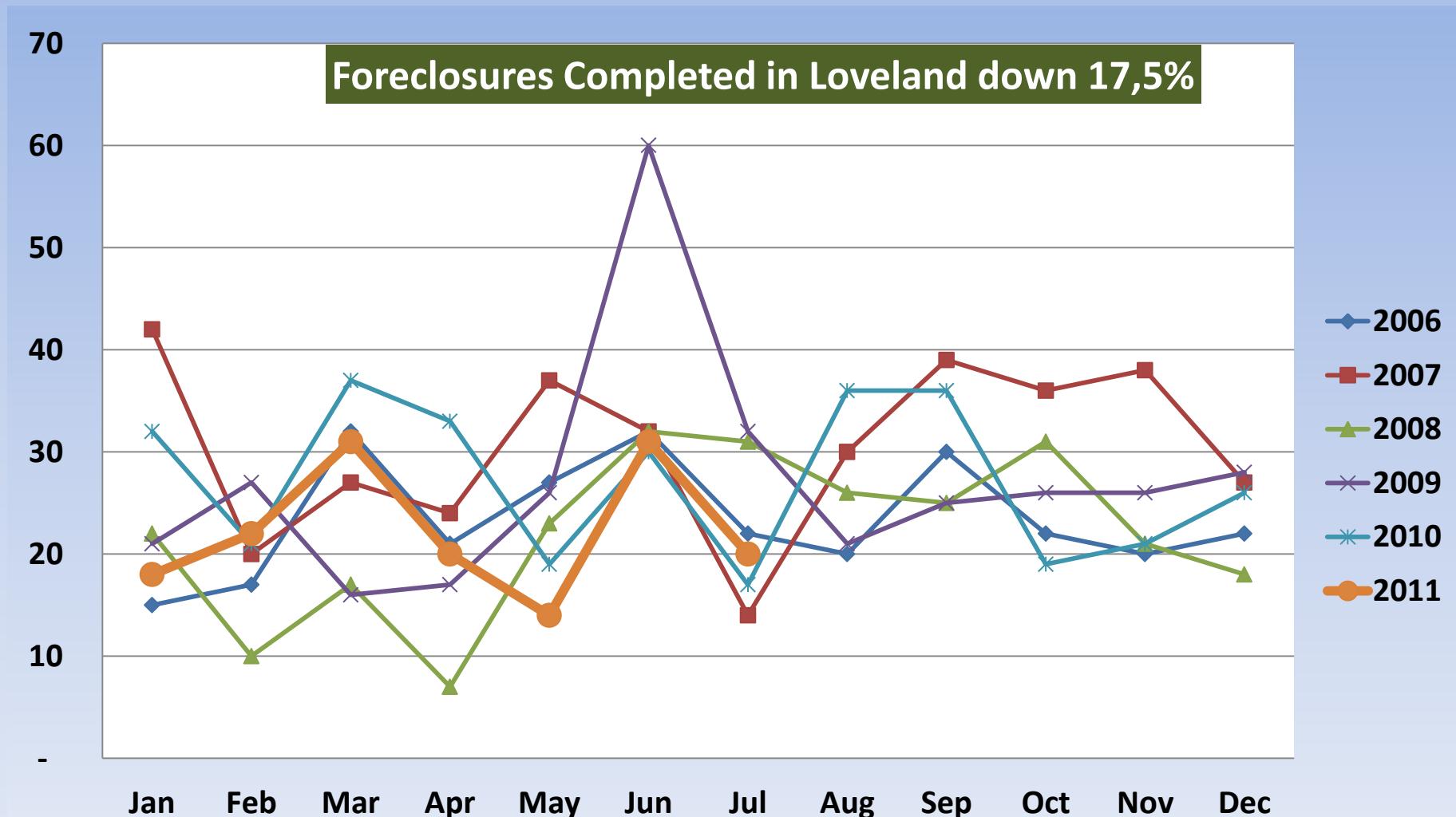
In Loveland foreclosures filed are lower

May be due to legal uncertainties, not economic strength

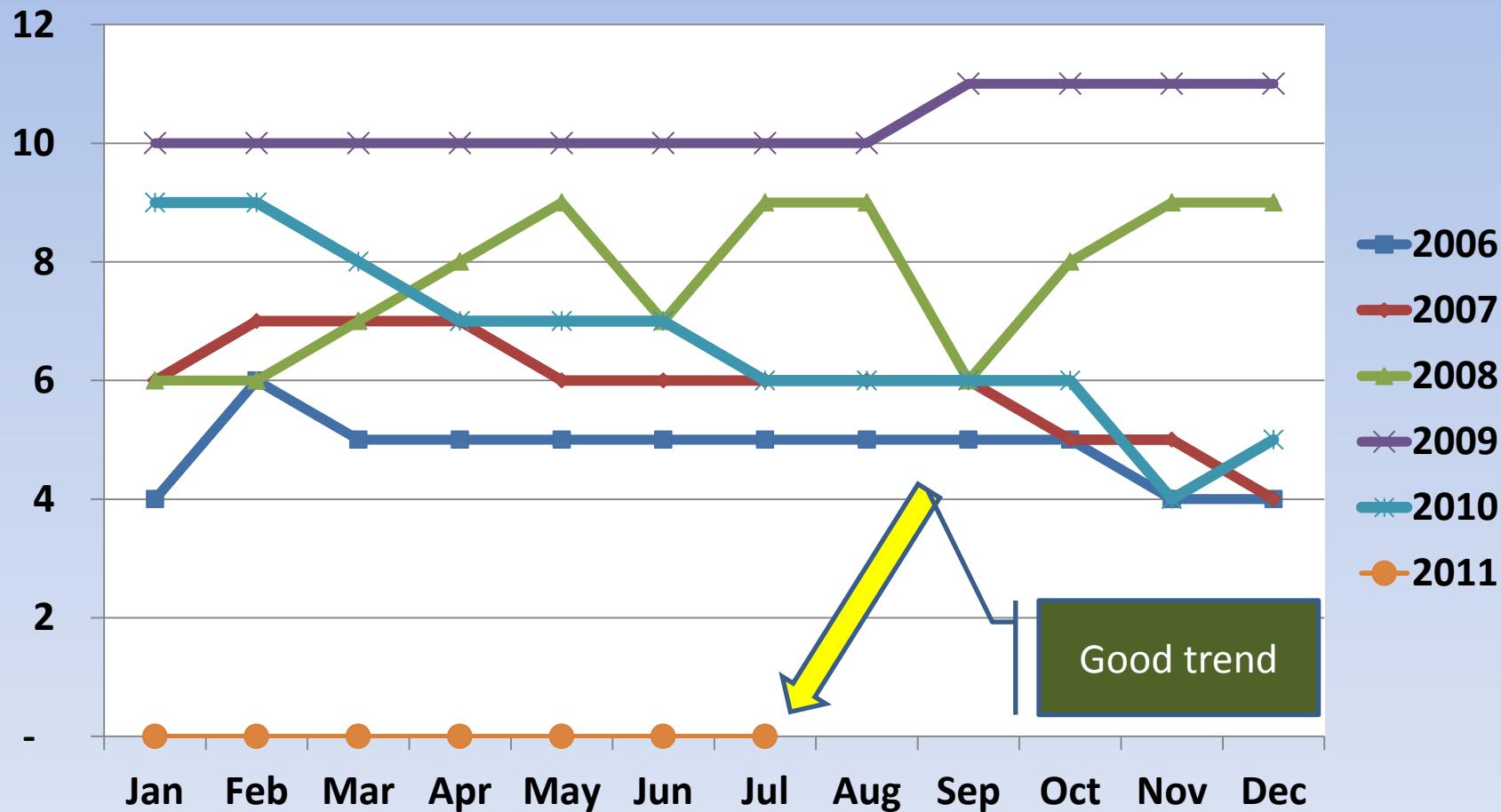


Local foreclosures completed lower than 2010

Many bank foreclosure processes were delayed due to legal concerns

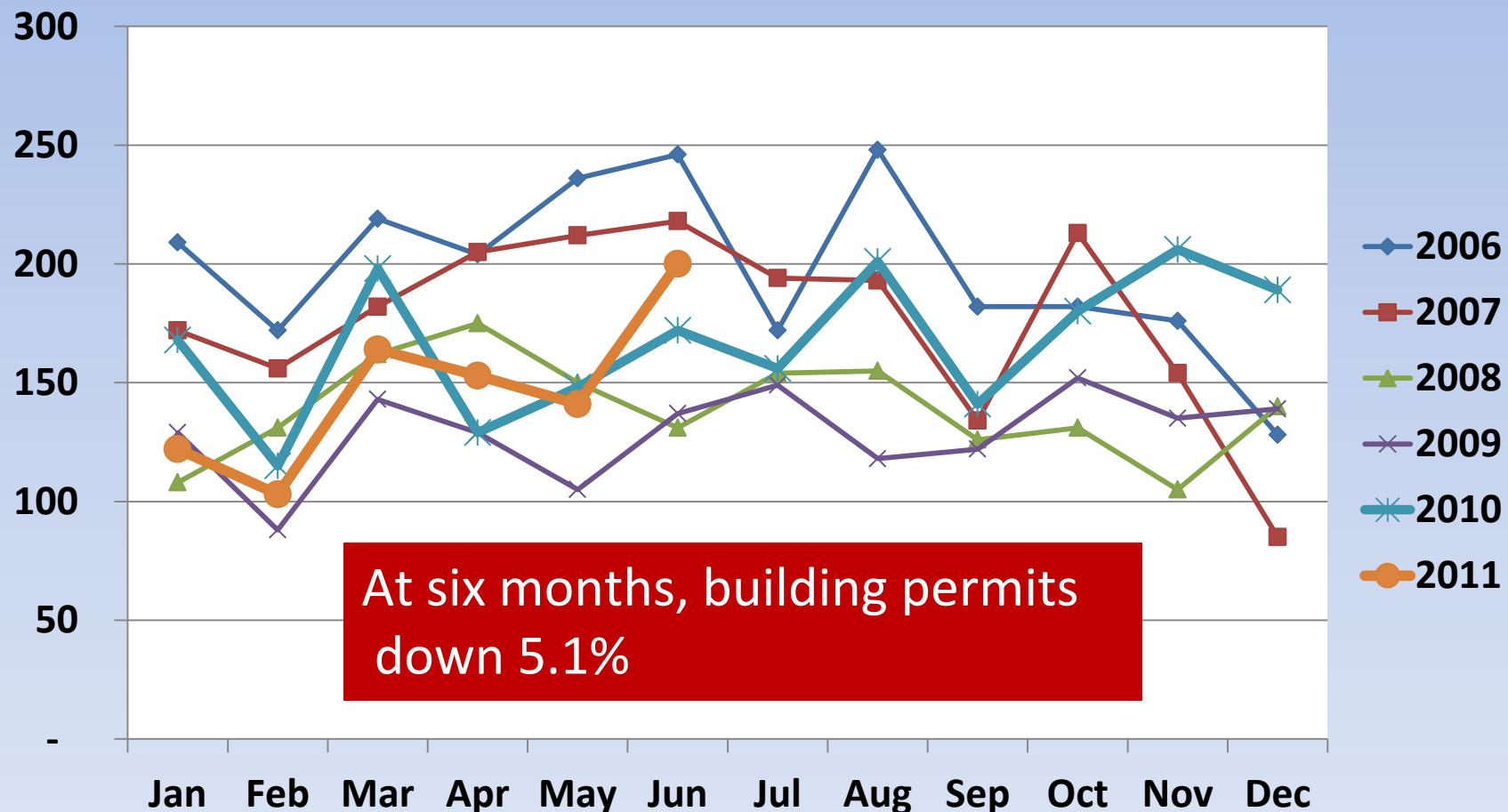


*Retail activity has lifted all GEO areas to positive
No locales in the red for seven months in a row*

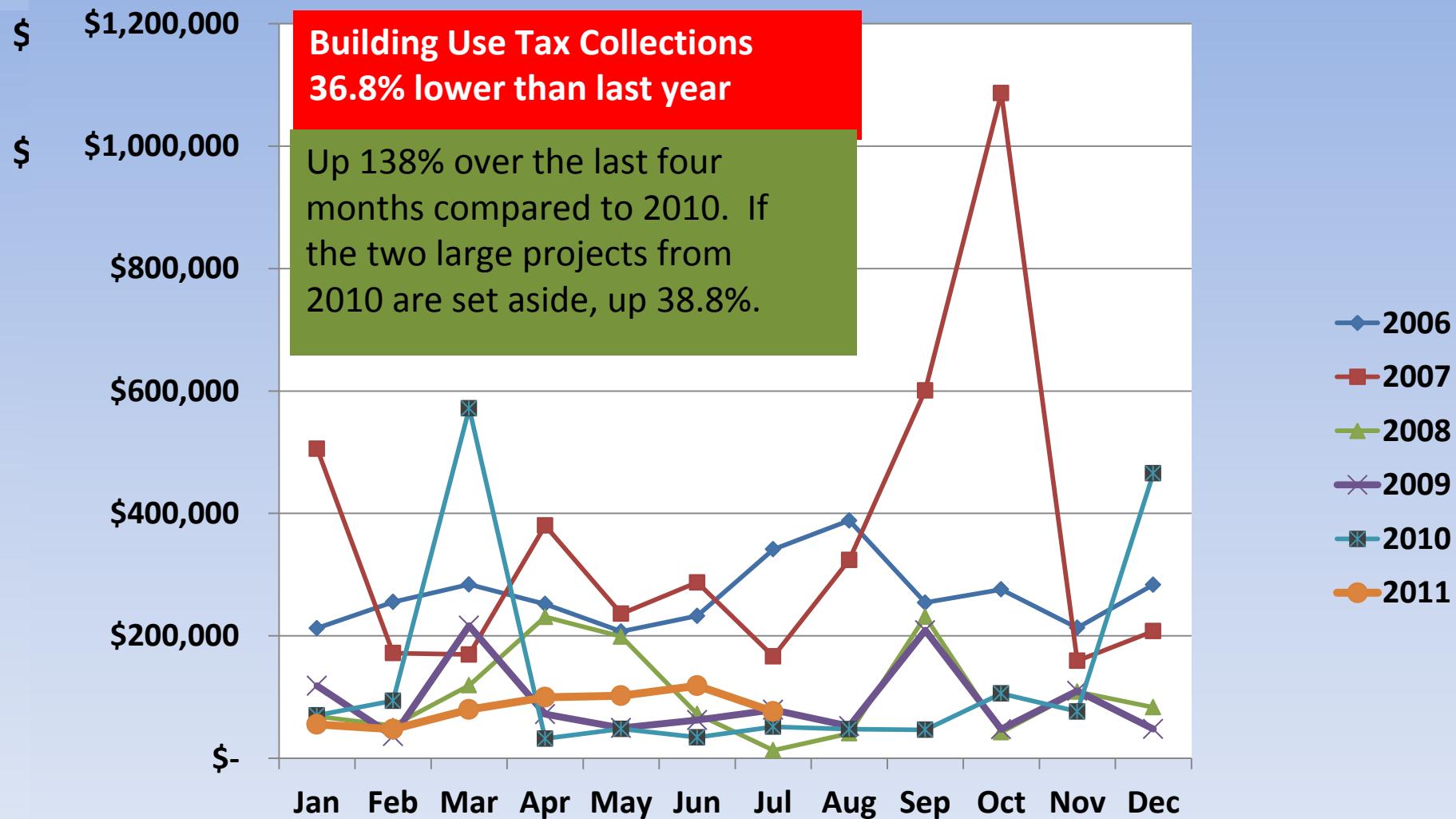


Building Permits slow start in 2011

In 2010 were up due to the fee incentives



Building Use Tax Collections

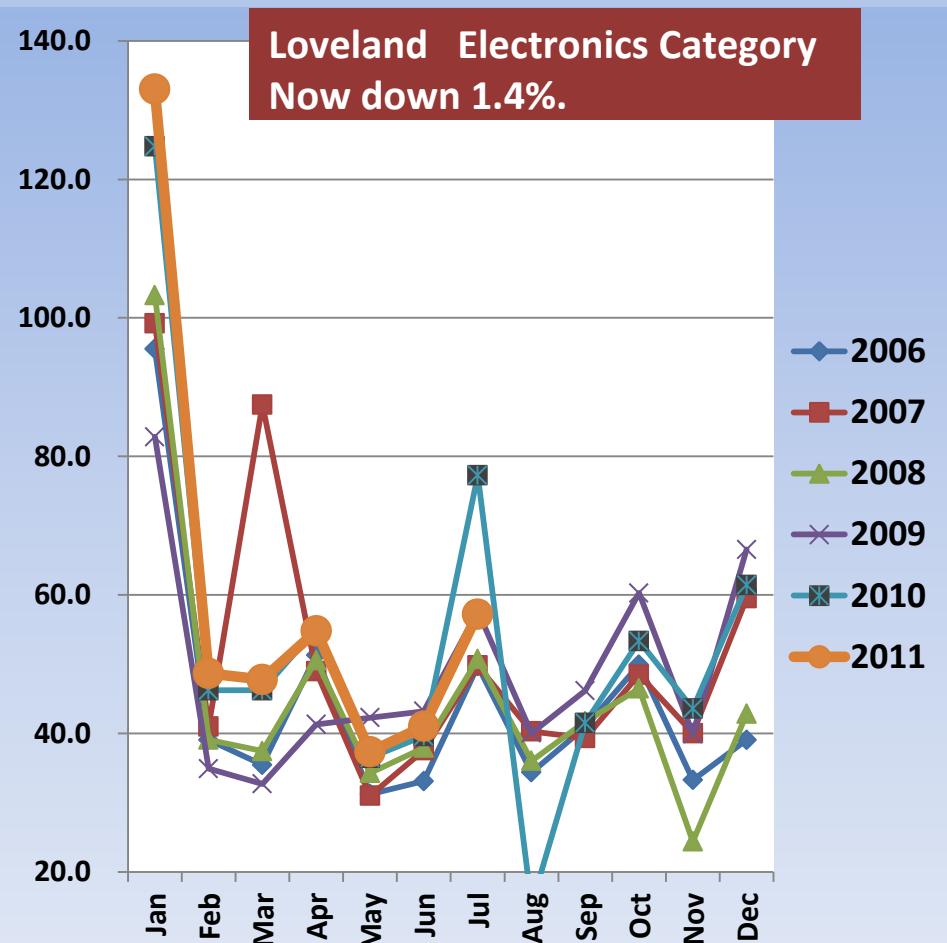
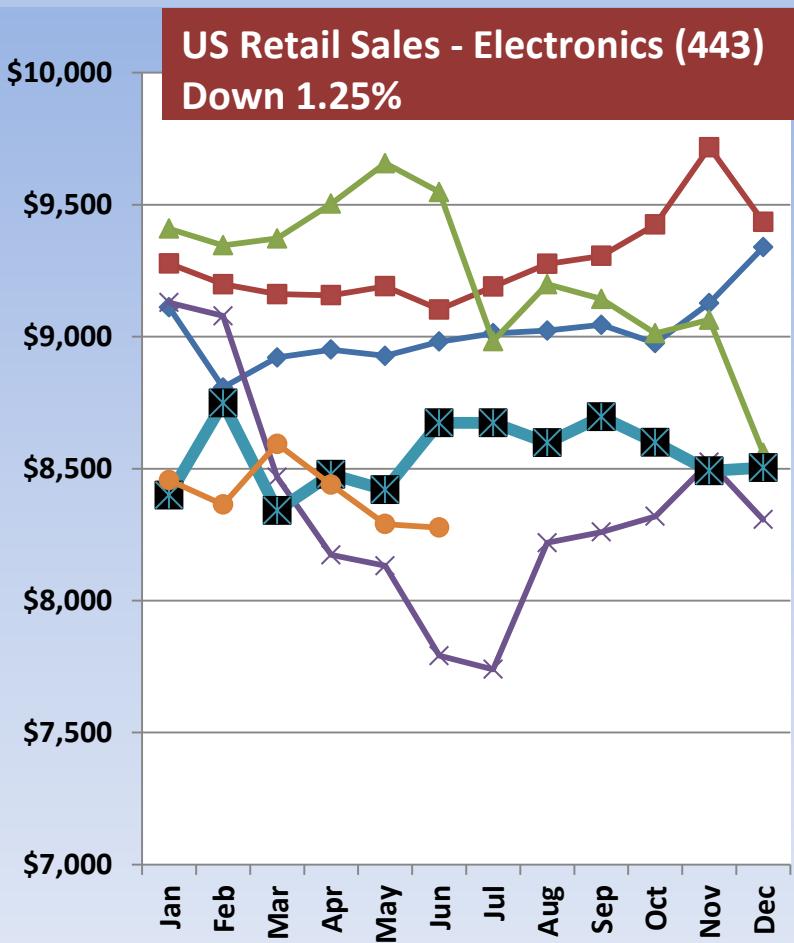


Turnaround in Electronics sales weak

Energy price increases may limit growth in future

*June sales flat, moving below
toward 2010 levels*

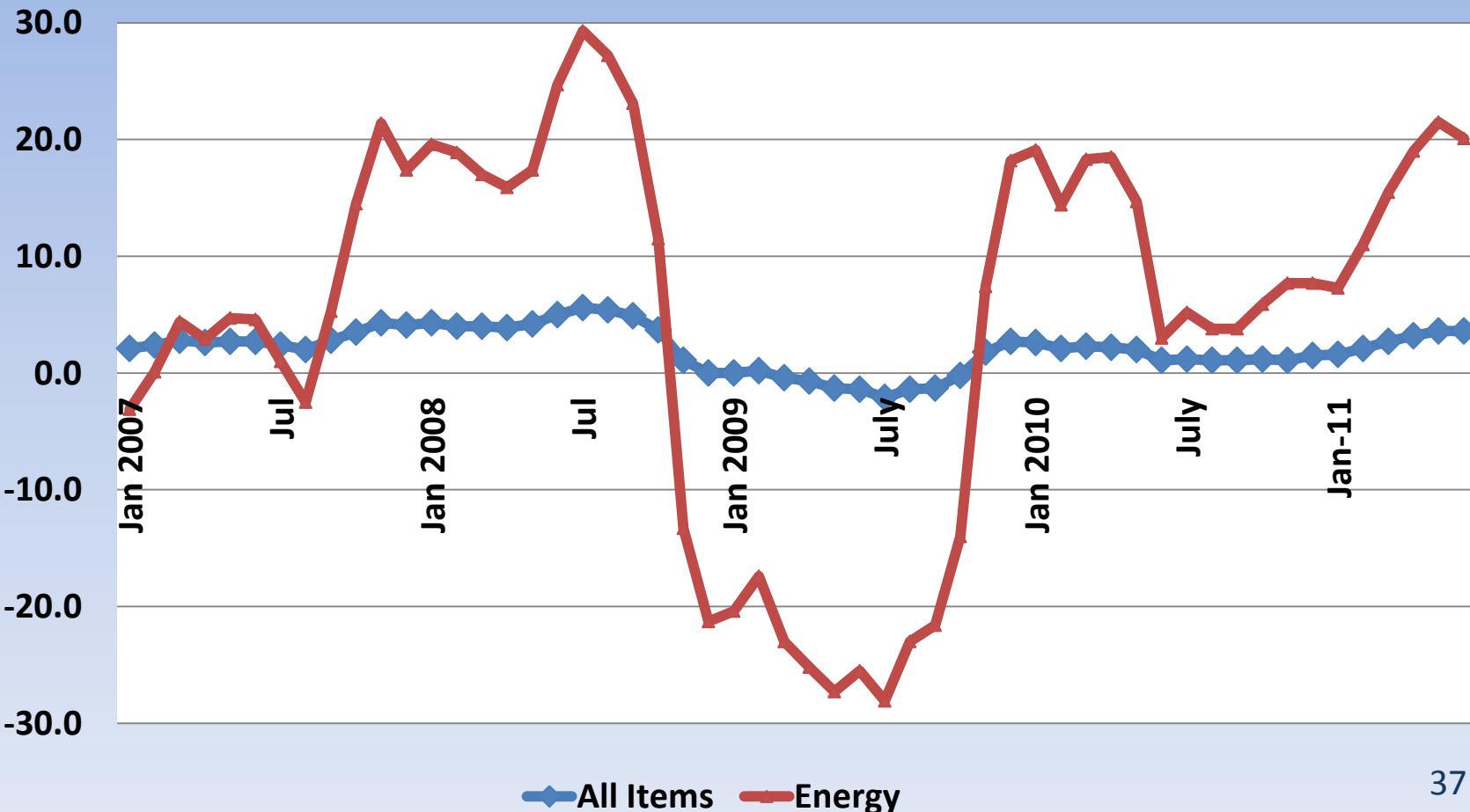
*In this retail sales category, Loveland
outperforming national trends*



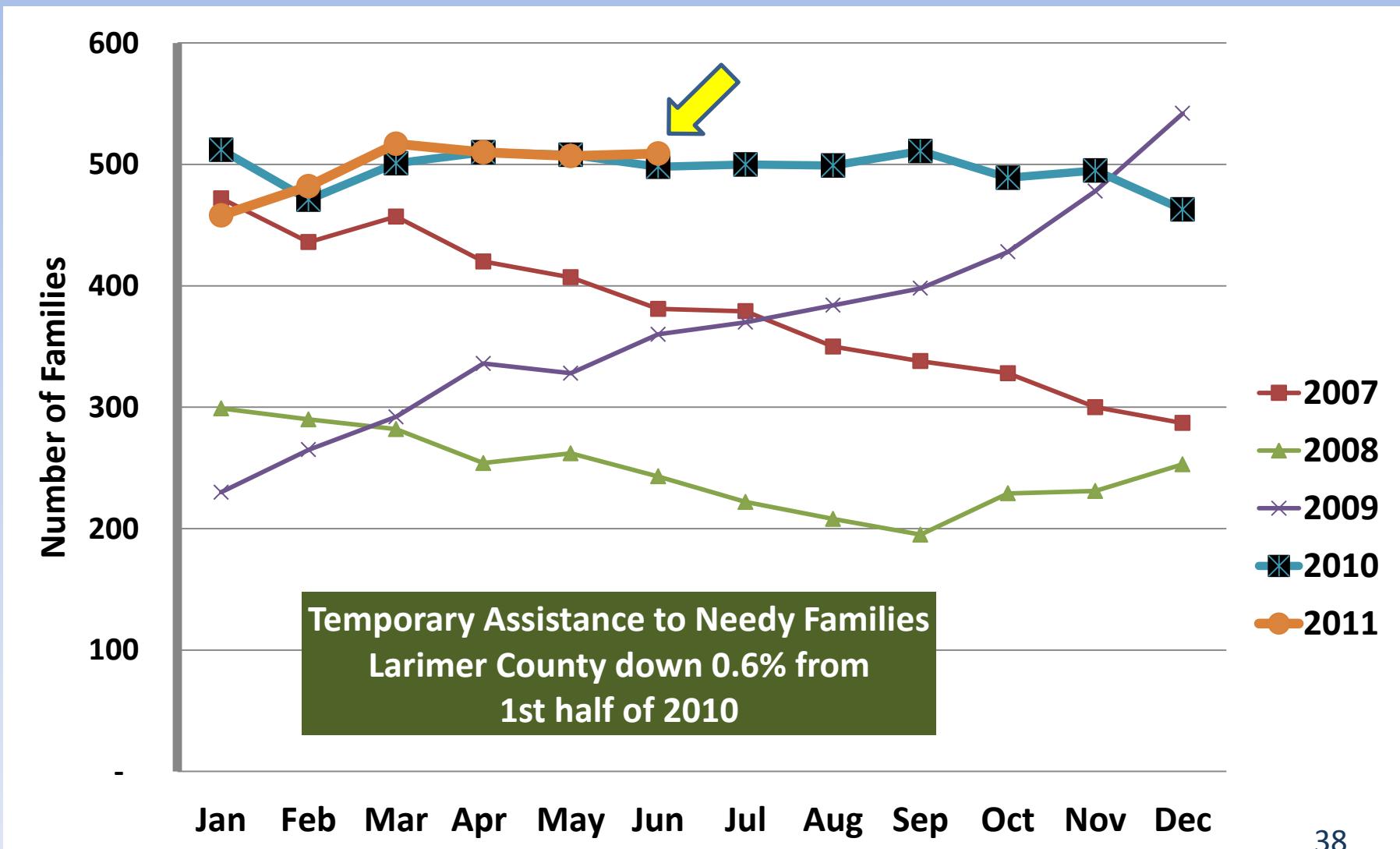
US Inflation trend now rising

*all items staying around 3.6%; energy costs up 20.5% yoy;
Fed worrying more about weak recovery than inflation.*

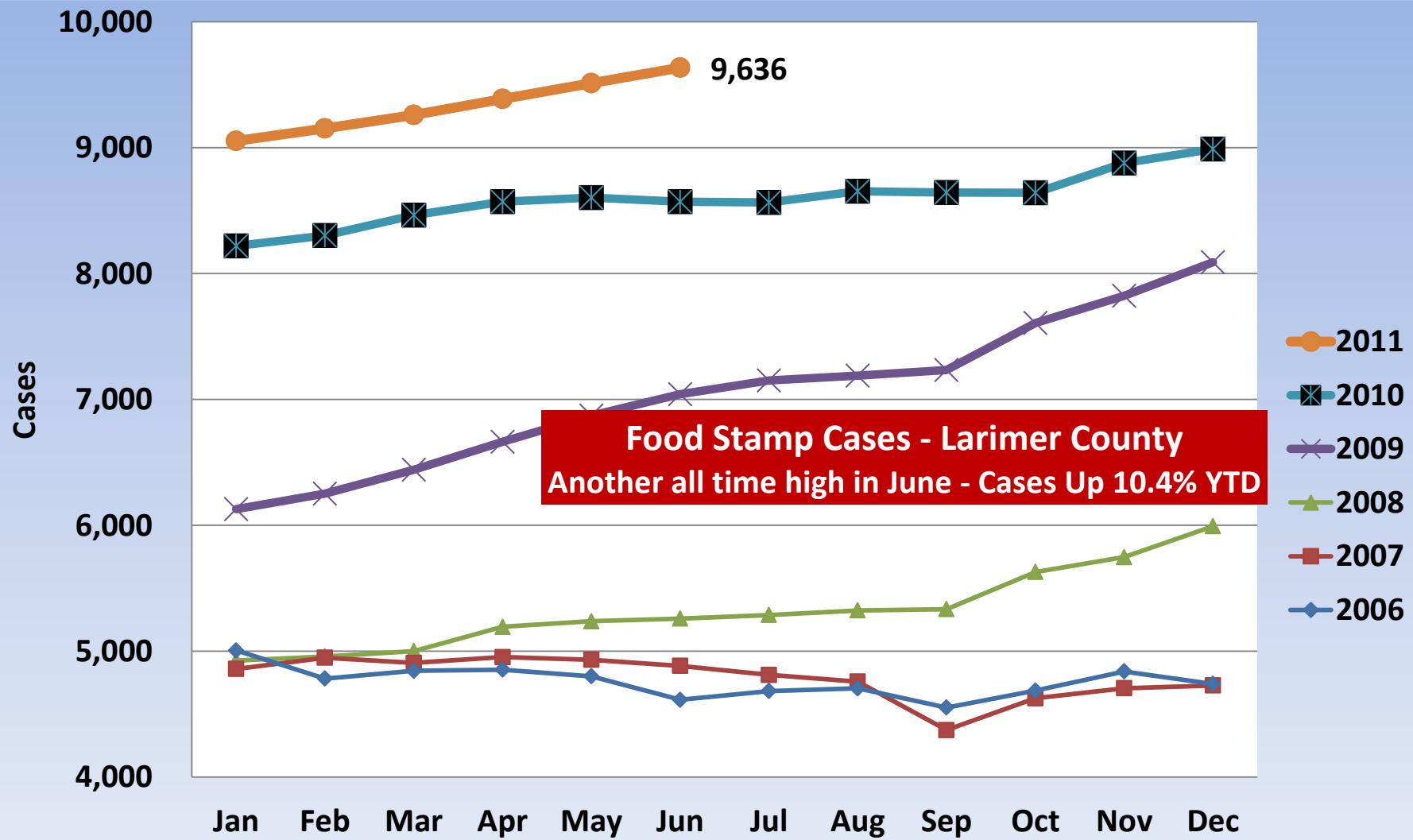
Inflation since January 2007



County caseload persistently high



Food Stamp cases reach all time high



Disconnects slightly lower than a year ago

